

ANNUAL REPORT

2008/2009



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CHAPTER 1

INTRODUCTION AND OVERVIEW

Foreword by the Mayor

Although 2009 has been an incredibly challenging year, I am pleased to note that it has galvanised our employees and councillors, who have worked well together to ensure that this huge organisation stays afloat through the global economic storm.

Everyone at all levels of the Municipality has felt the pain of having to cut costs. All departments have been required to cut their cloth accordingly and there have been no elaborate functions or launches. Public participation drives have been organised on shoestring budgets and similarly there have been no free lunches for councillors.

This has all been necessary in order for us to continue to deliver basic services to our community. Our efforts have worked for us and we are starting to see positive signs of a turnaround. By May/June 2010 it should be "business as usual".

Growth and development

As is to be expected, there has been little or no growth in the City during 2009 due to the economic climate. A casualty of the recession is our soccer stadium at the Veldenvlei Central Sports Complex, which is being increasingly difficult to complete due to lack of funding. National and provincial government departments are also cutting back with the result that no funding commitment has been forthcoming to date. However, the stadium is an investment for the City beyond the 2010 FIFA World Cup, so even if it is not completed on time, it will still be a landmark project for the City and an asset for our community to enjoy in time.

It is our philosophy in the Municipality that infrastructure precedes economic development. Therefore, should funds allow, major infrastructure development projects will characterise the City's new financial year.

The projects include the construction of two roads, namely John Ross to Saligna (R17 million) and a 2,5km road from Bullion Boulevard to ease traffic congestion.

Two major electricity substations will also be built to cater for electricity demand within the City. A City Library and the extension of the Civic Centre in Richards Bay are underway at a cost of R160 million.

Going forward the City will seek to expand and strengthen its partnerships, as we believe that a collective approach is needed to create a more resilient economy and effectively respond to socio-economic challenges. The growth of the City's economy should be a business-led agenda supported by government and we are appreciative of corporates such as BHP Billiton, Mondi, Bell Equipment, Richards Bay Coal Terminal, Foskor, Exxaro, and Richards Bay Minerals for their partnerships and strategic alliances.

Through these partnerships we are able to proactively engage in robust discussions on key matters like the Municipality's budget and IDP as well as create platforms for strategic information sharing. These relations have yielded much joy to the City's development and growth.

The Port of Richards Bay and the Richards Bay Industrial Development Zone are our strategic partners on the path to economic development of our City. The IDZ business plan is being refined and the operational permit is in the process of being approved. In the near future, the RBIDZ will be a reality, and will enable our City to attract direct foreign investment.

Service delivery

The City has reconstructed the Municipality's senior management by creating five directorates, namely City Development, Corporate Services, Finance, Technical and Infrastructure, and Community Services and Health to promote service delivery and streamline processes within the organisation. In addition well-trained and vigilant councillors will enhance efficiency in service delivery.

The Municipality remains committed to meet local government's mandate to provide services in a sustainable manner by providing services that help the poor communities and create jobs through the Expanded Public Works Programme.

Thusong Service Centres are important integrated service centres designed to bring services to the people where they live in their communities. As a City we have started with these important service delivery points. Msasandla (KwaDlangezwa) and Port Durnford will be our first Thusong Service Centres. The rural community halls are also being refurbished so that other important communities services can be rendered there on certain days.

During the past year 720km of rural roads were graded and 38 pipe culverts were constructed. Council also purchased plant to minimise plant hire costs. Rural areas have likewise benefited from the construction of pedestrian bridges and walkways to ensure safe crossing of streams.

Richards Bay Taxi City is earmarked for an upgrade and additional bus parking improvements to surrounding areas have been constructed to improve traffic circulation.

The Empangeni water networks project has been completed to improve water supply to the suburb by replacing old asbestos pipes with PVC pipes and valves. A similar project is being undertaken in Richards Bay.

I am proud of the City's accolades received during the past year for service delivery. These include an unqualified Audit Report, the KwaZulu-Natal Greenest Town Award and a Service Excellence Award from the Zululand Chamber of Commerce and Industries.

Housing

Phase 5 and Phase 6 of uMhlathuze Village have been approved, which consist of 330 low cost houses and 330 affordable housing units respectively. Other housing project that have been approved include 1 500 units at KwaDube, 1 000 units at KwaMkhwanazi, 1 200 units at KwaKhoza, 1 000 units at Madlebe and 1 000 mixed housing units at Aquadene extension.

Phase two of the Hostel Refurbishment Programme is in progress at an accelerated pace and is scheduled for completion in February 2010. Work entails the refurbishment of three hostels with a budget of R10,6 million.

In addition about 700 households in Aquadene and Brackenham have received Title Deeds.

Soft issues

Council remains committed to the "soft" issues, which are no less important to the well being of our communities. To this end a Special Programmes Unit has been created within the Municipality to deal with issues relating to the youth, women, people living with disabilities, the aged and HIV/Aids.

Responding to the need for specific intervention to reduce the impact of HIV/Aids in the City, the Municipality has started several programmes including the "Big Brother" project. This project is in partnership with BHP Billiton and aims better involve men in the fight against this disease.

The City has also established a local Aids Council that has four key focus areas: assisting orphans and vulnerable children, providing education and training, prevention and home-based care as well as income generation.

Regarding youth matters, the Municipality continues to implement the Youth Development Strategy, which focuses on employment creation and skills development opportunities.

Community Development

The Community Safety Forum has the CCTV project as one of its key projects, which will see 40 CCTV cameras installed across the City to curb crime. This is a partnership project between the City, Business Against Crime and the SAPS.

The City has also developed an approach to address disaster management, which includes establishing a Disaster Management Framework to ensure an integrated and uniform approach to disaster management in the City. A Disaster Management Community Awareness campaign has also been launched to capacitate communities on disaster management.

Acknowledgements

As we close the book on the 2008/2009 financial year, it is important to thank the captains of industry for their ongoing support of the Municipality and our communities as well as the team at the Richards Bay Industrial Development Zone for their efforts in attracting new and suitable investment to our shores.

Similarly we commend organisations such as Child Welfare, Hospice and the SPCA as well as their volunteers for the important services they offer to our communities, particularly in such harsh economic times when funding is tight and the needs are great.

Lastly I would like to thank our Acting City Manager and his dedicated team of officials who work tirelessly to uphold the high standard of service delivery to our communities and to ensure that the City of uMhlathuze is able to weather the economic storm and emerge stronger on the other side.

In spite of the challenges faced during the 2008/2009 financial year, we remain confident that uMhlathuze will continue to lead as KwaZulu-Natal's fastest growing City, a dynamic centre of production, innovation and trade.

Cllr Zakhele Mnqayi
MAYOR OF THE CITY OF uMHLATHUZE

Foreword by the City Manager

There is no doubt that the 2008/2009 financial year has been incredibly tough, and circumstances beyond our control, most noticeably the global recession, have impacted on our organisation and our employees.

However, commitment and dedication shown by employees along with their tenacious spirit to serve our community has enabled us to achieve many highlights and successes in spite of these difficult times.

Our calibre of staff is illustrated by the various accolades that the City has achieved over the past year such as the Cleanest Town Award. Likewise the recent awarding of the Blue Flag status at Alkantstrand Beach speaks volumes about the way in which our staff manages our coastline and the beach amenities.

We are extremely proud of the fact that uMhlathuze Municipality is one of the few municipalities in the country that has adequately spent its Municipal Infrastructure Grant (MIG) funding. We have been able to proactively deal with the provision of services in the rural areas and continue to upgrade and expand our infrastructure despite economic pressures.

Worth particular mention is the rural roads project, which has largely been dealt with internally and is a good example of the capacity, which exists within the organisation. Similarly the ability of our staff to fix a blocked sewerage pipe and collapsed road in Arboretum in November within a few days, working round the clock, shows what we can achieve with capacity and hard work. The upgrade and expansion of water supply infrastructure in eSikhaleni and kwaMkhwanazi rural area is another case in point.

The impact of the recession on our local economy had a domino affect on the Municipality. Large consumers of our services, particularly electricity, were sometimes unable to pay their accounts timeously. This, together with the cancellation of several key land sales by developers hard hit by the economic downturn, negatively affected our cash flow.

Council is aware of the fact that services must continue and there is no doubt that this statement will be honoured. We will continue to ensure that the money provided for spending is spent in an efficient and effective way to benefit the Municipality and its customers.

Remedial steps were immediately put into place to mitigate cash flow situation and we are grateful to our employees for their co-operation during this time. We are closely monitoring and managing our situation and we are hopeful that we will see positive signs early in 2010.

Although some projects have had to be curtailed as a result of the economic factors mentioned above, others go ahead and we will continue to pursue them vigorously in order to spend the money that is available as a stimulus to local economic development.

In spite of the country's economic woes one is thankful to note that the uMhlathuze Municipality remains an expanding area. The potential exists for further growth and development, which is acknowledged by government as our area remains a growth point important to the government's policy to grow the economy and create job opportunities.

It needs to be recorded that although all the Municipality's activities are contained in the Annual Report, the following specific section of the Municipal Finance Management Act, Section 121(3)(a) to (k) need to be addressed:

- a. The Annual Financial Statements for 2008/2009. These statements were completed by 31 August 2008 as prescribed in section 126 (1) (a) of the Municipal Finance Management Act, Act 56 of 2003. They are illustrated on Chapter 5 from pages 107 to 176
- b. Auditor-General's Report on the Financial Statements is included with the Financials. This report, which was delivered on time before 30 November 2009, as prescribed by section 126 (3) (b) of the MFMA, is an unqualified report. It is illustrated from pages 109 to 114.
- c. The detailed Annual Performance Report for 2008/2009 is illustrated from Chapter 2, pages 23 to 83.
- d. Auditor's Report on Performance Management Report – Included in Auditor-General's Report on the Financial Statements.

- e. The following is the assessment by the Accounting Officer of any arrears on municipal taxes and service charges.

The overall payment rate for the past seven years is illustrated below:

| YEAR | 2002/03 | 2003/04 | 2004/05 | 2005/06 | 2006/07 | 2007/08 | 2008/09 |
|--------------|---------|---------|---------|---------|---------|---------|---------|
| Payment Rate | 95,74% | 101,56% | 99,59% | 99,34% | 101,81% | 98,74% | 98,56% |

More specifically the following is the assessment for the year ended 30 June 2009.

Total Debtors (Nett of Provisions as per Financial Statements)

The global economic crisis also had an effect on the total outstanding debtors from residential to large industrial. It is of significance to note that even large industrials asking for payment extensions. There was indeed an increase in a number of arrangements that were made. The high tariff increase from Eskom influenced the electricity component of the debtors account by 27%. This is coincidentally exactly the increase in Eskom tariffs from the year 2008/2009.

Collection Ratio / Debtors Turnover Ratio / Payment Ratio – For Consumer Debtors

| Suburb | Debt Collection Ratio – In Days | Debtors Turnover Rate - % | Average Payment Rate - % |
|----------------|---------------------------------|---------------------------|--------------------------|
| Richards Bay | 29 | 8 | 97,77 |
| Vulindlela | 99 | 27 | 99,00 |
| eNseleni | 182 | 50 | 134,15 |
| eSikhaleni | 140 | 38 | 95,75 |
| Sundry Debtors | 21 | 6 | 97,77 |
| Empangeni | 41 | 11 | 100,21 |
| Ngwelezane | 181 | 49 | 95,51 |
| Average | 39.07 | 10.70 | 98,56 |

- The debt collection ratio is for the 12-month period preceding 30 June 2009.
- The debtor's turnover rate represents the outstanding debtors amount expressed as a percentage of the last 12 months billed revenue.
- The payment rate is the average of the 12 months preceding 30 June 2009.

Even though there was economic instability, the illustration above shows that the debtors are managed well and that all credit control measures prescribed by the Credit Management Policy and Bylaws are applied effectively.

- f. The revenue collection performance in terms of the Municipality's objectives can also be depicted in the following tables:

| Council's Strategic Plan linked to operating revenue | | | | |
|---|--|-------------------------|-------------------------|------------------------|
| Strategic Objective | Programs | Budget 2008/2009 | Actual 2008/2009 | Actual / Budget |
| | | R'000 | R'000 | % |
| Good Governance | | 30 990 | 29 399 | 95% |
| | Community Facilitation | 9 489 | 12 028 | |
| | Corporate Services | 6 534 | 6 151 | |
| | Public Safety and Security Services | 14 613 | 11 160 | |
| | Councillors | 354 | 60 | |
| Infrastructure and Services Provision | | 827 937 | 895 620 | 108% |
| | Water and Sanitation | 324 280 | 315 889 | |
| | Electricity | 418 640 | 501 878 | |
| | Roads and Storm water | 25 277 | 14 343 | |
| | Solid Waste | 39 171 | 41 396 | |
| | Cemeteries and Crematoria | 1 169 | 1 032 | |
| | Vehicles and Plant | 304 | 129 | |
| | Communication Systems | 232 | 304 | |
| | Rail Network | 654 | 672 | |
| | Environmental Management | 101 | 61 | |
| | Housing | 7 320 | 7 140 | |
| | Public Facilities | 2 954 | 5 940 | |
| | Health | 7 835 | 6 836 | |
| Social and Economic Development | | 1 877 | 1 344 | 72% |
| | Local Economic Development | 280 | 290 | |
| | Municipal Planning | 1 463 | 882 | |
| | Marketing & Tourism Development | 134 | 172 | |
| Institutional Development | | 3 689 | 3 998 | 108% |
| | Integrated Development Planning | 151 | 91 | |
| | Information Management | 4 | 581 | |
| | Municipal Offices/Depots | 1 824 | 1 891 | |
| | Education, Capacity Building and Training | 1 710 | 1 435 | |
| Sound Financial Management | | 200 422 | 225 978 | 113% |
| | Financial Planning, Management and Control | 191 070 | 214 122 | |
| | Asset Management | 9 352 | 11 856 | |
| TOTAL COUNCIL | | 1 064 15 | 1 156 339 | 109% |

| Revenue By Source | | | |
|--------------------------------------|---------------------|---------------------|----------------------|
| | Budget 2008/2009 | Actual 2008/2009 | Actual / Budget % |
| | R'000 | R'000 | % |
| Property Rates | 130 795 | 138 396 | 106% |
| Service Charges | 558 897 | 657 094 | 118% |
| Rental of Facilities and Equipment | 8 358 | 9 904 | 118% |
| Interest Earned-External Investments | 13 849 | 16 614 | 120% |
| Interest Earned-Outstanding Debtors | 160 | 192 | 120% |
| Fines | 8 560 | 3 685 | 43% |
| Licences and Permits | 2 493 | 2 739 | 110% |
| Income for Agency Services | 3 200 | 3 762 | 118% |
| Government Grants and Subsidies | 102 762 | 106 416 | 104% |
| Other Income | 131 442 | 158 756 | 121% |
| Sale of Land | 104 399 | 58 781 | 56% |
| Total Revenue | 1 064 915 | 1 156 339 | 109% |

| Revenue By Function | | | |
|-------------------------------|---------------------|---------------------|----------------------|
| | Budget 2008/2009 | Actual 2008/2009 | Actual / Budget % |
| | R'000 | R'000 | % |
| Executive and Council | 354 | 60 | 17% |
| Budget and Treasury office | 209 594 | 237 116 | 113% |
| Corporate Services | 110 070 | 66 207 | 60% |
| Planning and Development | 1 816 | 1 095 | 60% |
| Health | 7 835 | 6 836 | 87% |
| Community and Social Services | 3 819 | 4 569 | 120% |
| Housing | 7 097 | 7 911 | 111% |
| Public Safety | 9 425 | 4 911 | 52% |
| Sport and Recreation | 2 128 | 4 294 | 202% |
| Waste Management | 126 115 | 116 668 | 93% |
| Road Transport | 5 767 | 6 549 | 114% |
| Water | 186 934 | 212 035 | 113% |
| Electricity | 393 454 | 487 598 | 124% |
| Other | 507 | 490 | 97% |
| Total Revenue | 1 064 915 | 1 156 339 | 109% |

- g. All the issues related to corrective steps to be taken in terms of financial transaction queries have been corrected. In terms of the compliance related queries where corrective action could not be undertaken for this reporting period, year-end procedures have been changed to prevent a re-occurrence of such transactions.
- h. No further explanation to the Financial Statements is required.
- i. Comprehensive detail of all information pertinent to both the above and more of the status of the City is covered in this City's Annual Report for 2008/2009.
- j. A report from the Chairman of the Municipality's Audit Committee is illustrated from pages 102 to 106 and
- k. No other information other than the details contained in the following chapters is required.

The Annual Report for 2008/2009 was submitted to Council on 19 January 2010 through a report (RPT147511).

DR AW HEYNEKE
CITY MANAGER

OVERVIEW OF THE MUNICIPALITY

Vision

“The City of uMhlathuze, as a port city, will offer improved quality of life for all its citizens through sustainable development. It will be a renowned centre for trade, tourism and nature-lovers, coastal recreation, commerce, industry, forestry and agriculture.”

Mission

“To develop uMhlathuze as the industrial, commercial and administrative centre within the natural beauty of the region, providing a range of efficient municipal services thereby ensuring economic development, dynamic growth and the improvement of the quality of life for all.”

The City of uMhlathuze is a strategically placed aspirant metropolitan, situated on the north-east coast of KwaZulu-Natal, South Africa. Like most coastal cities of the world, uMhlathuze enjoys the best of all worlds. It is home to the country's largest deep-water port and enjoys the associated economic spin-offs as well as a diverse natural environment.

The City of uMhlathuze is a progressive municipality, which appreciates the need to achieve a successful balance and synergy between industry, its rich environmental assets and the community.

uMhlathuze Municipality was established on 5 December 2000 after the demarcation process and the local government elections of that date. As such it encompasses the towns of Empangeni, Richards Bay, eSikhaleni, Ngwelezane, eNseleni, Vulindlela and Felixton as well as the rural areas under Amakhosi Dube, Mkhwanazi, Khoza, Mbuyazi and Zungu.

Richards Bay is considered to be the industrial and tourism hub, Empangeni the commercial hub and eSikhaleni the largest suburb.

The name uMhlathuze is derived from the uMhlathuze River that meanders through the municipal area and symbolically unifies the towns, suburbs and traditional areas.

According to the legend the river was strong in current and was infested with crocodiles and, therefore, could not be used by locals. The name broken up has the following meaning: Mhlati – jaw, Mthuzi – does not chew. In other words, the uMhlathuze River was like a jaw that could not chew.

uMhlathuze Council **consists of 60 councillors**, of which ten are full-time and serve on the Council's Executive Committee. The Council has adopted a portfolio committee approach and interacts with its community using the Ward Committee system.

Administratively the Municipality has almost 1 900 full-time staff members led by the Municipal Manager and his team of professionals. Offices have been established in Richards Bay, Empangeni, eSikhaleni, Ngwelezane, eNseleni and Vulindlela.

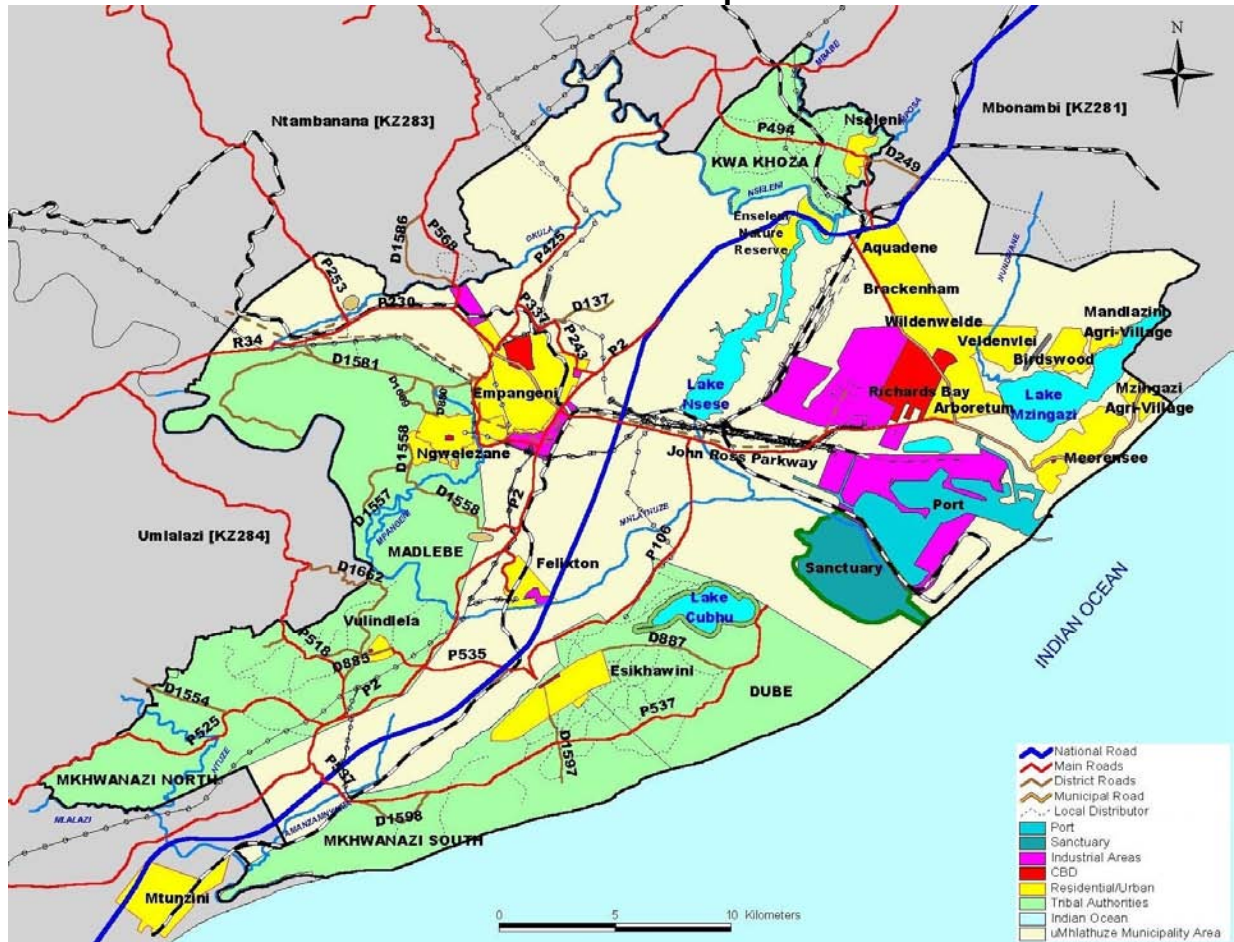
This dynamic local government authority assumed city status on 21 August 2001 to place the Municipality in a stronger position to more effectively market the area – one of the country's fastest growth points.

Effective management of services and resources and the provision of services to all residents of the City, which is 796 square kilometers in extent, are challenges with which the Municipality has tackled enthusiastically. Proudly, the Municipality's developments in this regard are on track and, in many instances, ahead of national government's targets.

To put into perspective the sterling work been done to fast track service delivery, the municipal area has a water pipe infrastructure **of 735,32km** in urban areas and **1 077km** in rural areas. Reservoir capacities add up **to 280** mega-litres.

The City and its management live up to its motto “Vision into Action”. The number of number of accolades, which have been bestowed on the Municipality in recent years illustrates the City’s progress in this regard.

Orientation Map



Municipal Land area

| <i>Area</i> | <i>Km²</i> | <i>%</i> | <i>Area</i> | <i>Km²</i> | <i>%</i> |
|---|-----------------------|----------|-------------|-----------------------|--------------|
| Richards Bay | 289,9966 | 36,5 | eNseleni | 1,3325 | 0,2 |
| Empangeni | 28,9386 | 3,6 | Felixton | 2,7835 | 0,3 |
| eSikhaleni | 6,2304 | 0,8 | Vulindlela | 0,8464 | 0,1 |
| Ngwelezane | 3,7001 | 0,5 | | | |
| 5 Tribal Authority areas, 21 rural settlements and 61 farms | | | | 462,1426 | 58,0 |
| Total municipal land area: | | | | 795,9707 | 100,0 |

The City of uMhlathuze has an estimated 81 008 households and a total population of about 345776. During the past year 21 127 births were registered in the area of which 10 242 were males and 10 885 were females. More than 40% of the residents in the municipal area reside in the non-urban (rural and tribal authority) areas outside Empangeni and Richards Bay, and is indicative of a densely populated rural area. More people reside in Richards Bay than Empangeni, although Richards Bay is a younger town, indicating that this town grew at a faster rate than Empangeni.

Population groups

| | <i>Richards Bay</i> | <i>Empangeni</i> | <i>eSikhaleni</i> | <i>eNseleni</i> | <i>Other areas</i> | <i>Total</i> |
|----------------|---------------------|------------------|-------------------|-----------------|--------------------|--------------|
| Black African | 20207 | 13605 | 72342 | 14653 | 178712 | 299519 |
| Coloured | 2084 | 471 | 72 | 29 | 298 | 2954 |
| Indian / Asian | 10454 | 1057 | 120 | 0 | 71 | 11702 |
| White | 21808 | 9642 | 7 | 0 | 144 | 31601 |

Population by gender and age group

| <i>Age</i> | <i>Female</i> | <i>Male</i> | <i>Population (N)</i> | <i>Population (%)</i> |
|------------------|---------------|---------------|-----------------------|-----------------------|
| 0 – 4 years | 18028 | 18028 | 36056 | 10,43% |
| 5 – 14 years | 37392 | 36724 | 74116 | 21,43% |
| 15 – 34 years | 76192 | 70167 | 146359 | 42,33% |
| 35 – 64 years | 40739 | 39042 | 79781 | 23,07% |
| Over 65 years | 6084 | 3380 | 9464 | 2,73% |
| Total (N) | 178435 | 167341 | 345776 | |

Population density

| <i>Suburb / area</i> | <i>Persons per km²</i> |
|---|-----------------------------------|
| Felixton, farmland and forestry areas | 2 - 525 |
| Empangeni, Richards Bay (excluding Aquadene and Brackenham) | 526 - 1192 |
| Vulindlela, Brackenham and Aquadene | 1193 - 2084 |
| Ngwelezane | 2085 - 3989 |
| eNseleni urban, eNseleni rural and eSikhaleni urban | 3899 - 6421 |
| Total average for entire municipal area | 372 |

Level of education

| <i>Highest Level of Education attained by over 20 year olds</i> | <i>uMhlathuze (persons)</i> |
|---|-----------------------------|
| No Schooling | 32921 |
| Some Schooling | 34207 |
| Complete primary | 9075 |
| Some Secondary | 60258 |
| Grade 12 / Standard 10 | 44238 |
| Higher / Tertiary education | 16681 |
| Total | 197380 |

HOUSEHOLDS

- There are a total of 81 008 households within the municipal area.
- The number of houses per geographic area are:
Richards Bay 12433, Empangeni 6046, eSikhaleni 6363, eNseleni 1439, Ngwelezane 2775, Vulindlela 588.
- There are 202 indigent households.
- 80,9% of the total dwellings are of formal type, with 15,3% being traditional type, and 3,8% informal type.
- 64% of households own their dwelling, while 17,8% rent

Number of persons per household

| Suburb / area | Persons / household |
|---|---------------------|
| Farmland | 0,86 – 2,28 |
| Felixton, Empangeni, Meerensee, Birdswood, Veldenvlei, and Vulindlela | 2,29 – 3,71 |
| Arboretum, Brackenham, Aquadene, Wildenweide, and Ngwelezane | 3,72 – 4,79 |
| Mzingazi Village, Mandlazini, eNseleni urban and eSikhaleni urban | 4,80 – 5,98 |
| eNseleni rural, eSikhaleni rural and tribal areas | 5,99 – 7,47 |

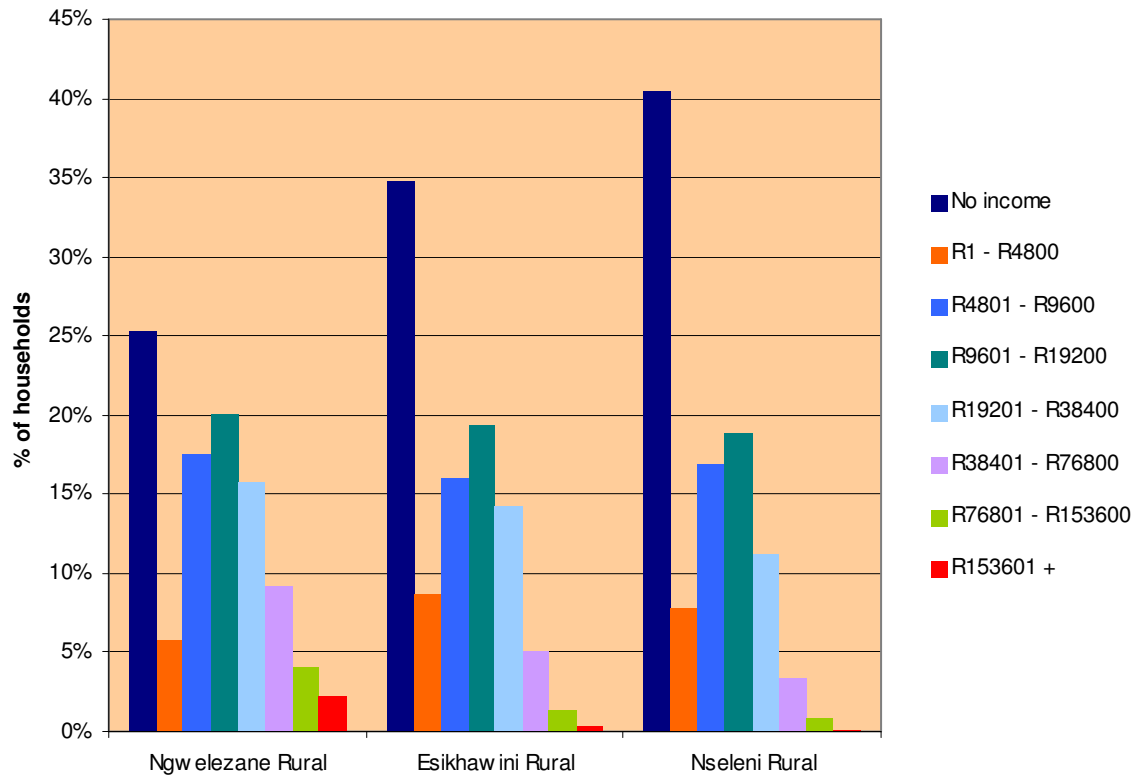
Percentage distribution of households by type of main dwelling

House or brick structure on a separate stand or yard = 66,4%
 Traditional dwelling / hut / structure made of traditional materials = 15,2%
 Flat in block of flats = 9,1%
 Town / cluster /semi –detached house (simplex :duplex: triplex) = 1,9%
 House / flat / room in backyard = 1,3%
 Informal dwelling /shack in backyard = 1,4% not in backyard e.g in an informal / squatter settlement = 2,4%
 Room /flatlet not in backyard but on a shared property =2,2%
 Caravan or tent = 0%
 Private ship / boat = 0%

Household income

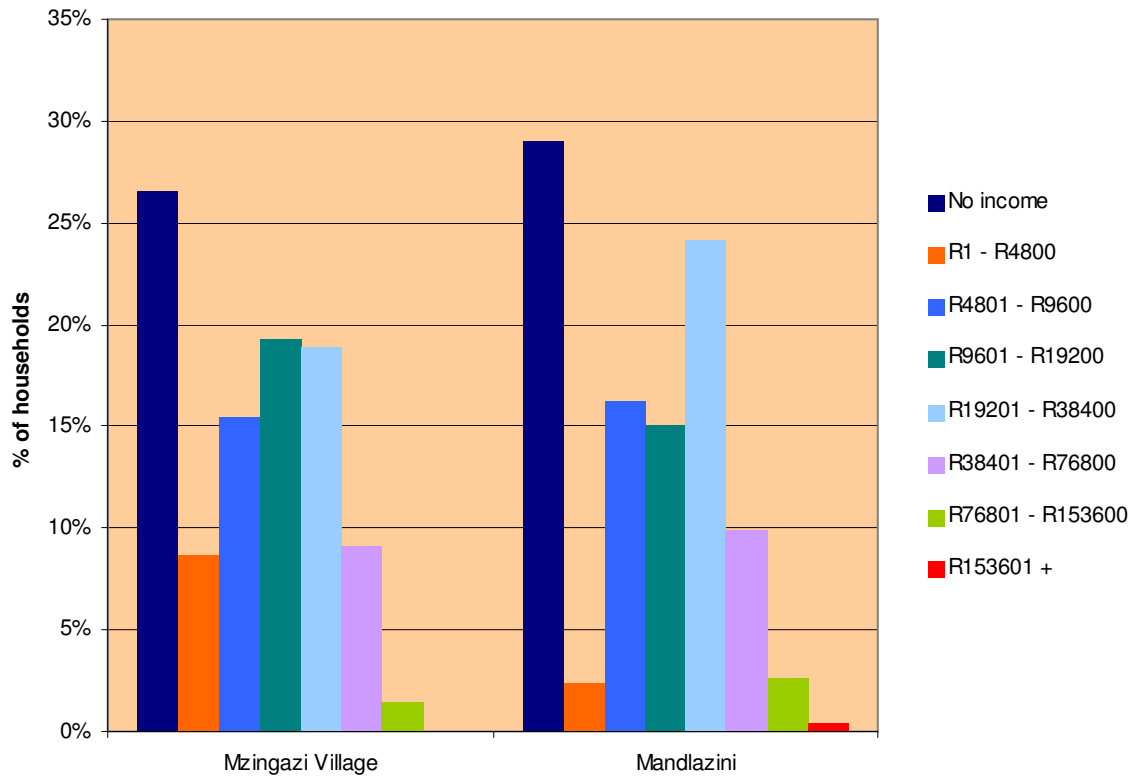
The comparison between annual household incomes is done according to typical rural, peri-urban and urban areas. Analysis of the overall average annual household income will be misleading as it is directly related to the geographical position and developmental level of a particular area.

Annual Household Income in Rural Areas



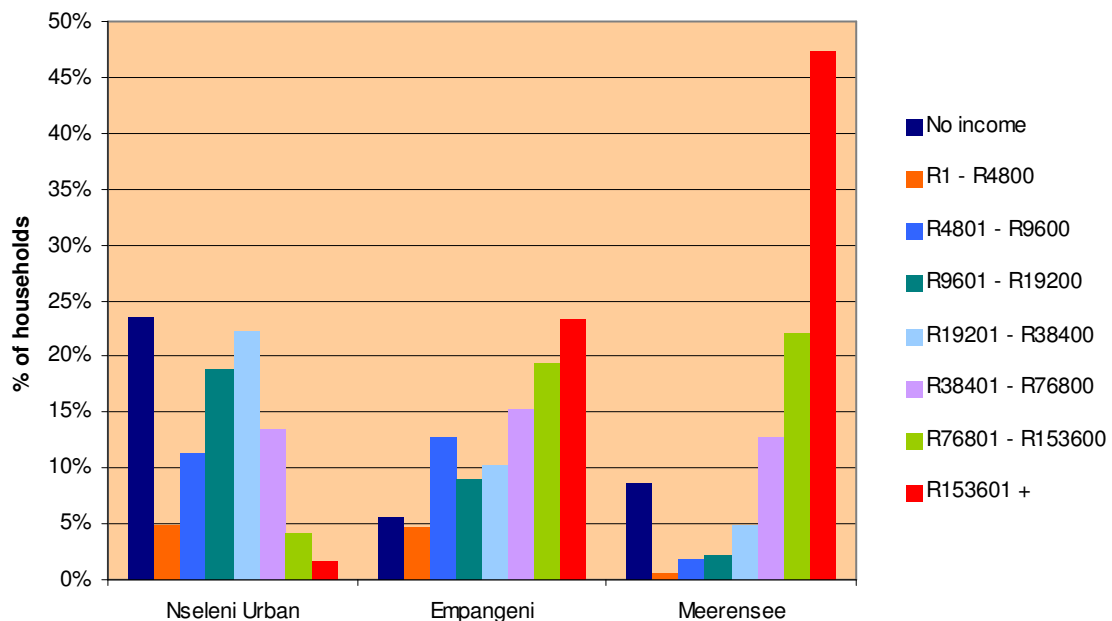
- The annual household income in the eNseleni rural area is the lowest as over 40% of all households have no income.
- Close to 20% of households in the Ngwelezane, eSikhaleni and eNseleni rural areas earn between R9601 and R19200 per annum.

Annual Household Income in Peri-urban Areas

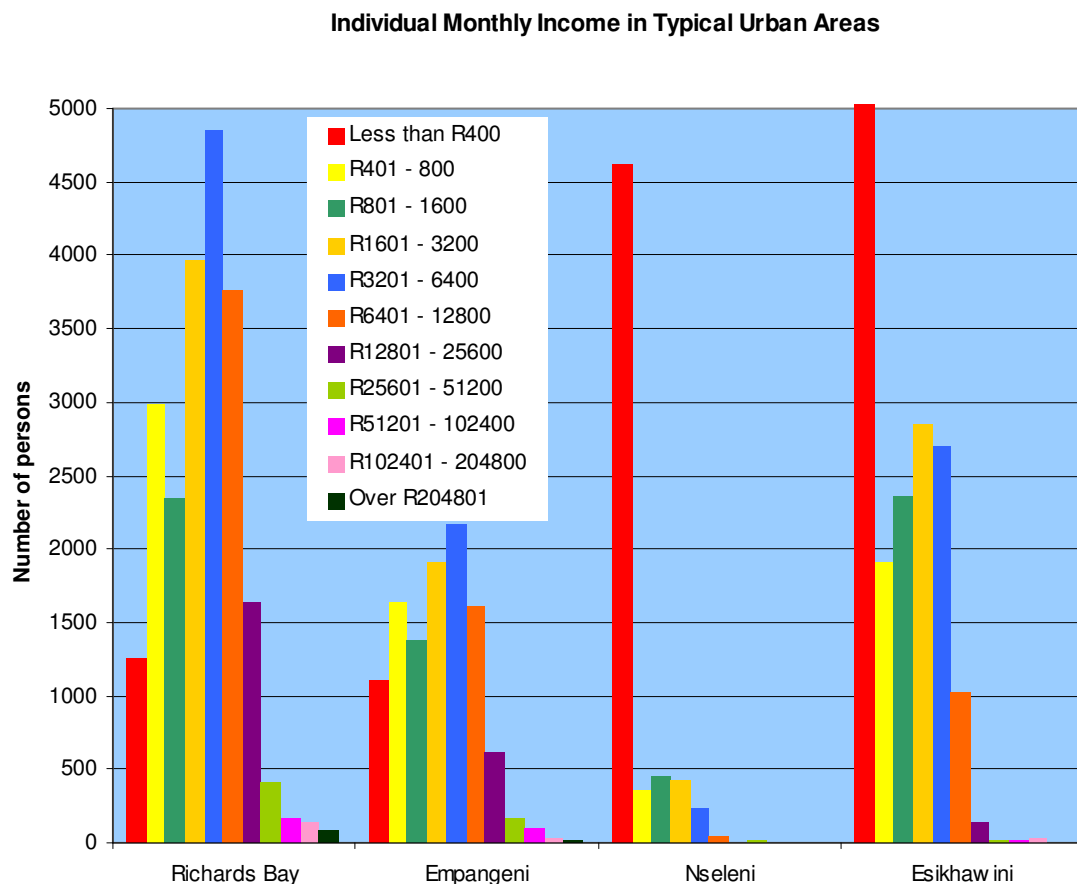


- 27% of households in Mzingazi Village and 29% of those in Mandlazini earn no income. A large portion of the households in these areas earn between R4801 and R38400 per annum.
- On average, the income distribution between households in Mzingazi Village and Mandlazini is between the R4801 and R76800 income brackets.

Annual Household Income in Urban Areas



- The comparison of annual household income between typical urban areas reveals that whereas 47% of households in Meerensee and 23% of households in Empangeni earn more than R153601 per annum, only 2% of households in eNseleni Urban earn this annual income.
- 23% of households in eNseleni Urban do not earn any income.
- Overall, annual household income is the highest in Meerensee, although some 8% of households in this area earn no annual income.



- Individual monthly income is, on average, higher in Richards Bay than in Empangeni, eNseleni or eSikhaleni.
- A large number of individuals in eNseleni and eSikhaleni earn less than R400 per month.

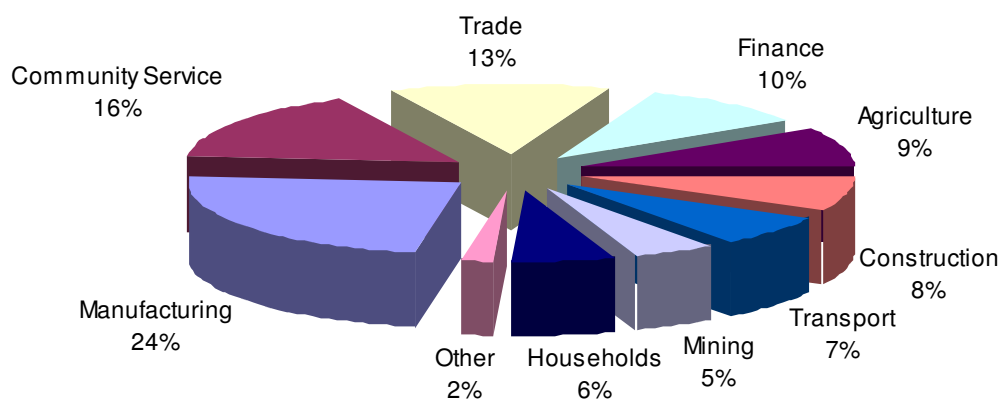
Labour Market Status

| | <i>Richards Bay</i> | <i>Empangeni</i> | <i>eSikhaleni</i> | <i>Other areas</i> | <i>Total</i> |
|----------------------------|---------------------|------------------|-------------------|--------------------|---------------|
| Economically active | | | | | |
| • Employed | 21029 | 10423 | 12485 | 31986 | 75924 |
| • Unemployed | 4181 | 1372 | 7767 | 38578 | 51898 |
| Unemployment rate | 19% | 12% | 38% | 55% | 41% |
| Total Labour Force | 25210 | 11796 | 20252 | 70563 | 127821 |
| Not economically active* | 10890 | 5168 | 11671 | 54360 | 82089 |
| Total Labour Market | 36100 | 16963 | 31923 | 124924 | 209910 |

* Includes students, homemakers, the disabled, those too ill to work and anyone not seeking work

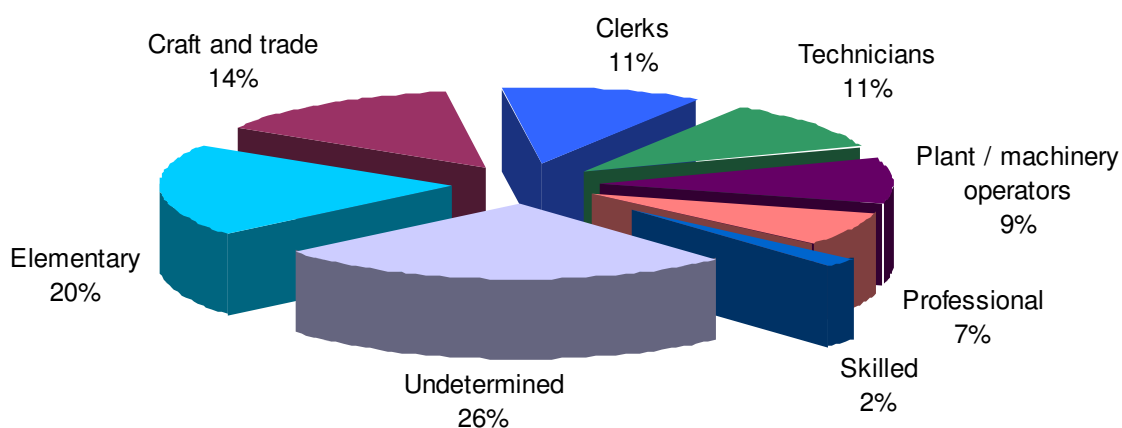
- The unemployment levels in the area are high at 36,28% comparison to world standards. However, the unemployment levels relate to employment in the formal sector and do not reflect the true situation. For instance, economic activity in tribal areas such as production for own use, arts and crafts, and informal sales are generally disregarded and creates the impression that tribal folk are without a source of income and the means to survive from day to day. This is not the case as the quality of life experienced in tribal areas is preferred by many people provided that the amenities associated with urban areas such as water, electricity, schools and clinics, are available.
- There are still very few economic opportunities and formal employment in the former township areas.

Distribution of Formal Employment by Economic Activity:



The manufacturing sector is the largest employer, employing 24% of the formally employed, followed by community services at 16% and trade at 13%.

Percentage of employable workforce with skills:

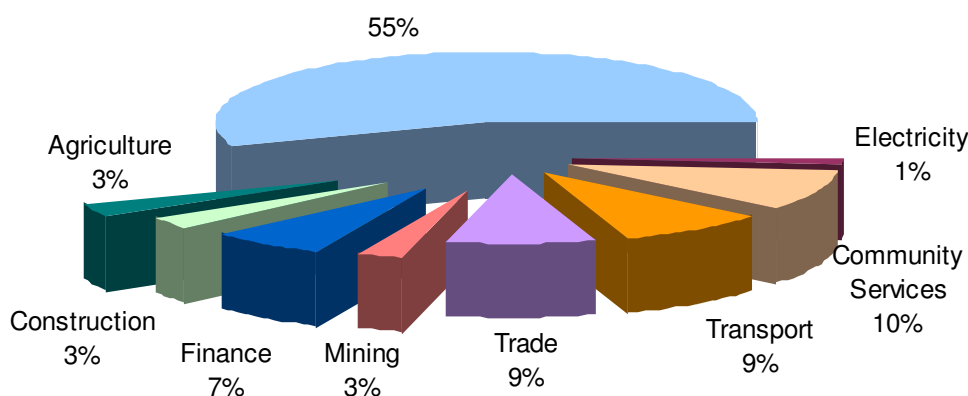


The dominance of the manufacturing sector in the municipal economy can be clearly seen from the chart above indicating the skills of the employable workforce – a large percentage of the employable workforce has elementary, craft and trade and technical skills. Professional skills also feature, which is reflective of the function of the municipal area as a service centre to the surrounding rural region.

Economic performance

- The local economy forms an integral part of the international and national economies. The presence of a number of huge exporting and importing industries, notably Billiton's aluminium smelters, Richards Bay Minerals, Mondi Kraft, Foskor, Bell Equipment, Ticor, Exxaro KZN Sands, Richards Bay Coal Terminal, agricultural activity (sugar cane and timber) and the port of Richards Bay, means that the welfare of the region is influenced by international and national market movements.
- 95% of economic activity is vested in Richards Bay, Empangeni and Felixton.
- The area is 3rd most important in the province of KwaZulu Natal in terms of economic production, contributes 7,6% of the total Gross Geographic Product and 5,5 % of total formal employment.
- Year on year economical activity expanded by 14,09%.

Percentage Sectoral Contribution to GGP



Business

- The population is served by 5 business districts with 23 shopping centres and a combined total of 265 000m² commercial floor space.
- There are ± 5 000 businesses in the municipal area.
- The area has 8 post offices, 30 bank branches, 35 government organisations and offices, 5 cinemas, 14 hotels and 129 registered bed and breakfast establishments / guesthouses.
- Industrial floor space totals 558927m².

Energy Source

- 84,9% of all households use electricity as energy source for cooking and 91,8% use it as a lighting source. 82,3% use it as a source of heating. 18,9% of households uses gas or paraffin for cooking. Solar power is used by 0,3% of all households for cooking and lighting.
- An average of 31 903 498 kilowatt electricity is used per day within the municipal area
- The Municipality has a customer base of 31312 and 3000 customers receive 50kwh free electricity every month.

Water, sanitation and waste removal

- 92% of households have access to running water; and 68,0% of households has piped water to the dwelling or inside the yard.
- The length of water pipes in the municipality adds up to 1700km.
- The reservoir capacities add up to 260 mega-litres.
- The length of sewer pipes in the municipal area adds up to 623km.
- 68129 of all households have access to free basic water services.
- 49.2% of all households have a flush or chemical toilet on the premises.
- There are 33 945 water meters for households, and 2 070 for businesses.
- There are 30 517 waste collection points for households and 1000 for businesses.

- 58% of the population has access to waste removal services; approximately 2 500 tons of waste is collected on a weekly basis. 47,6% of waste collected is domestic waste and 12,3% is garden waste.

Telecommunication

- 42,5% of all households has a normal telephone or cellular telephone in the dwelling.
- Only 4,4% of all households do not have access to a telephone near the dwelling.

Transport

- It is estimated that some 250 000 persons commute daily within the municipal area; close to 40 000 of these commuters are from outside the municipal boundary.
- The number of minibus taxis is estimated at 3 900 and the number of buses at 130.
- During 2007, 33582 light passenger vehicles, 2687 motorcycles and 1953 minibuses were registered within the municipal area.
- There are 733 bus routes and 142800 bus commuters.
- On average 400 freight trucks enter and exit the municipal area on a weekly basis.
- Spoornet provides a freight service of close to 750 trains per week, linking the city to Durban and Gauteng; there are 320 km of railway track.
- There are 128 km of tarred national roads and 850 km of tarred secondary roads in the municipal area. The municipality maintains 554 km of tarred roads and streets.
- The Port of Richards Bay consists of 2 157 hectares of land and 1 495 hectares of water area.
- Distance to closest international ports: Maputo – 465 km and Durban 160 km.
- The average monthly passenger departure in 2007 was 3694 at the Richards Bay Airport
- The number of vessels in the harbour averaged 308 during 2007

Community Facilities

- Municipal sport recreation facilities include:
- Two athletic fields, 15 basketball courts, one baseball field, five cricket fields (two floodlit) four hockey fields (2floodlit),10 volleyball courts,74 soccer fields (9 floodlit) four rugby fields, four korfbal courts, seven tennis courts, 10 netball courts (8 floodlit), two polo fields, five squash courts,16 jukskei, two golf courses, two bowling greens,15 combi courts, nine swimming pools.
- There are 809 sports clubs with specific facilities for inter alia equestrian sport, polocrosse, aerolites, angling, yachting, paddling and radio flyers.
- Within the municipal area there are there are four hospitals and 23 health clinics, four cemeteries, seven public libraries, 15 community halls, 102 schools and three tertiary education institutions, including a university.
- There are 1,7 police officers per 1 000 persons of the population, five police stations and four law courts.

Climate

- An idyllic subtropical, maritime climate prevails throughout the year at the coast, seldom lower than 12°-14°C in winter and reaching 32°-35°C during summer months. Average daily temperature is 28°C in summer and 22°C in winter.
- Summers are hot and humid, and experience majority of annual rainfall, while winters are warm and dry with occasional frost in the interior.
- Prevailing winds are north-easterly and southwesterly.
- The long term average annual rainfall for Richards Bay area is about 1200mm decreasing to about 1000mm inland towards Empangeni, with most of the rainfall occurring between January and May.
- The area experienced two periods of prolonged drought (1981-1983 and 1992-1994) during the past 30 years, and has been subjected to destruction by extreme floods generated by the cyclones Demoina and Mboa in 1984 followed by flood disasters in 1987 and 200.

Manmade features of the area include dams and canals (189,1ha) and the Richards Bay Harbour (2 353 ha) 25,76% of all urban land in Richards Bay is zoned either as Public Open space or Conservation Amenity. There are two nature reserves within the municipal area



CHAPTER 2

ANNUAL PERFORMANCE REPORT

2008/2009

CONTENTS

PERFORMANCE MANAGEMENT SYSTEM (Framework and background)

TABLE 1 - Municipal Transformation and Institutional Development)

TABLE 2 - Municipal Services - Organisational performance in terms of the 5 strategies contained in the Integrated Development Plan (IDP)

- 1 Good Governance**
- 2 Sustainable Infrastructure And Service Provision**
- 3 Social And Economic Development**
- 4 Institutional Development**
- 5 Sound Financial Management**

TABLE 3 - Seven National Key Performance Indicators (GKPI's / NKPI's)

- 1 The percentage of households with access to basic level of water, sanitation, electricity and solid waste removal**
- 2 The percentage of households earning less than R 1 100.00 per month with access to free basic services**
- 3 The number of jobs created through a municipality's local economic development initiatives including capital projects**
- 4 The number of people from employment equity target groups employed in the three highest levels of management in compliance with the municipality's approved employment equity plan**
- 5 Financial viability**
- 6 The percentage of the municipal capital budget actually spent on capital projects identified for a particular year in terms of the municipality's IDP.**
- 7 The percentage of the municipal budget actually spent on implementing its workplace skills plan**

TABLE 4 - Service Delivery and Budget Implementation Plan (SDBIP) for 2008/2009 - Quarterly performance targets and performance achievements in terms of Component 3 – Non Financial targets per department

- 1 Chief Executive Officer (City Manager)**
- 2 City Engineer**
- 3 City Electrical Engineer**
- 4 Chief Financial Officer**
- 5 Director Corporate Services**
- 6 Director Community Facilitation and Marketing**
- 7 Director Community Services and Health**
- 8 Director Management Services**
- 9 Director Planning and Sustainable Development**
- 10 Director Parks, Sport and Recreation**

ANNUAL CUSTOMER SATISFACTION SURVEY – Municipal Service Delivery for 2008/2009

- 1 Item to Council**
- 2 Survey Analysis report**

PERFORMANCE MANAGEMENT SYSTEM

The performance management framework was adopted by the uMhlathuze Municipality on 28 May 2002. The framework was reviewed and amended to align with the best practice guidelines suggested by the Department of Provincial and Local Government and Traditional Affairs of KwazuluNatal and the supporting documentation is available for inspection. The annual performance measurement on the 2008/2009 financial year is completed and reflected in the tables below. These performance tables were presented to the Auditor General for auditing together with the Annual Financial Statements.

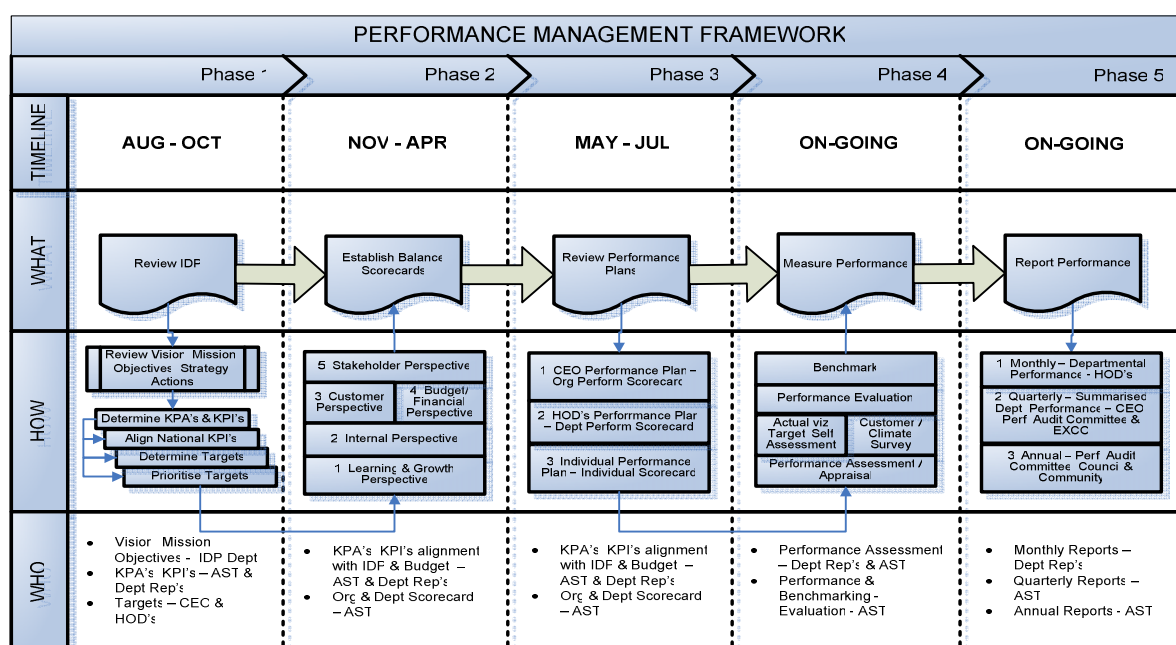
The Performance Audit Committee members are:

Mr. H Oosthuizen – Chairperson from UNIZUL
Mr S W Kunene – Community Member
Dr J Sibeko – (from UNIZUL) (Resigned)
Ald .AZ Mngayi. (Mayor)

A Customer Satisfaction Survey for 2008/2009 was conducted during June 2009 and the results were communicated to Council via the Performance Audit Committee on 26 August 2009. The comprehensive analysis report is available on Council's official website. (www.richemp.org.za under the "Our Performance" tab.

Key performance indicators have been re-developed in support of the municipality's development priorities and objectives set out in the revised IDP framework that will remain for the duration of the IDP period for consistency in measuring and reporting on long terms strategies and projects. Measurable performance targets with regard to each of these development priorities and objectives were established. A process to ensure regular reporting is in place and is fed back to the Council via the Performance Audit Committee. Individual performance agreements and performance plans were re-aligned to adhere to the provisions prescribed in the Performance Regulations (Notice 805, gazetted on 1 August 2006) and signed with the City Manager and Heads of Departments, also for the new 2009/2010 financial year. These agreements are fully implemented and aligned with the Service Delivery and Budget Implementation Plan as required in terms of the Municipal Finance Management Act. Performance Evaluation panels have also been established for the assessment of the City Manager as well as Managers directly accountable to the City Manager per Council Resolution 4120 of 10 October 2006 and these panels do meet quarterly for evaluating individual performance which directly aligns with the organizational departmental performance targets.

The following diagram illustrates the performance management framework developed for the City of uMhlathuze for performance measurement and reporting, adhering to the procedures suggested by the Best Practice Guide for Municipal Organizational Performance Management in KwaZulu Natal Province:



Performance Management Framework

The process to measure, monitor/ track and report performance is now computerised during the 2008/2009 financial year, since the manual process became too complex and time consuming for completion within the required timeframes. Council's strategic Information Technology partner, GijimaAst has finalized the re-development of a computerised performance management system on the basis of creating internal capacity to develop and support the system on-site in future.

Section 46 of the Municipal Systems Act (Act 32 of 2000), stipulates the following:-

"Annual performance reports

46. (1) A municipality must prepare for each financial year a performance report *reflecting* -
- (a) the performance of the municipality and of each external service provider during that financial year;
 - (b) a comparison of the performances referred to in paragraph (a) with targets set for and performances in the previous financial year; and
 - (c) *measures taken to improve performance.*
- (2) ***An annual performance report must form part of the municipality's annual report in terms of Chapter 12 of the Municipal Finance Management Act."***

This report should be read in conjunction with the uMhlathuze annual report and annual financial statements as well as Auditor General Report on the Annual financial statements and performance for 2008/2009.

The following tables reflect the performance targets and achievements in relation to the previously achievements and also reflecting new targets set for the 2009/2010 financial year:

TABLES FOR MUNICIPAL ANNUAL PERFORMANCE REPORT 2007/2008

TABLE 1 (Municipal Transformation and Institutional Development)

DMS 525577

| Key performance Indicators | Progress with Implementation | Achieved in 2005/06 | Targets for 2006/07 | Achieved in 2006/07 | Targets for 2007/08 | Achieved in 2007/08 | Targets for 2008/09 | Achieved in 2008/09 | Targets for 2009/10 |
|--|---|------------------------|---|---|---|--|---|---|--|
| Amalgamation of the former Empangeni and Richards Bay local authorities administration units | Formulation of amalgamation plan ▪ Plan adopted by Council on 15/2/2001 | Completed | Completed | Completed | Completed | Completed | Completed | Completed | Completed |
| | Formulate a placement policy, to accommodate the existing personnel of the former Empangeni and Richards Bay local authorities ▪ The amalgamated structure was approved on 23/10/2001 | Completed | Completed | Completed | Completed | Completed | Completed | Completed | Completed |
| | Draft a staff structure and Organograms for the newly formed City of uMhlathuze ▪ Organograms approved on 28/5/2002 | Completed | Completed | Completed | Completed | Completed | Completed | Completed | Completed |
| | Formalisation of the approved staff structure. ▪ 13/3/2001 – Appointment of Municipal Manager ▪ 29/3/2001 – Appointment of 9 Heads of Departments ▪ 14/8/2001 – Appointment of Senior Personnel – Levels 2 – 4 ▪ 23/10/2001 – Establishment of Placement Committees ▪ JAN – AUG 2002 – Placement of majority of Staff ▪ JAN 2003 – Final placement of all Staff | Completed and maintain | Completed and maintain | Completed and maintain | Completed and maintain | Completed and maintain | Completed and maintain | Completed and maintain | Completed and maintain |
| | Drafting of Job Descriptions and Post Specifications for all positions on staff structure. ▪ Job Descriptions completed end of June '03 in TASK format for all positions. | Completed and maintain | Re-draft and align Job Descriptions into revised TASK format. | Completed the Re-drafting of all Job Descriptions (985) and submitted to PJEC | Implement evaluation results from SALGBC | Await evaluation results from SALGBC for implementation | Implement evaluation results from SALGBC | Awaiting SALGBC | Implement evaluation results from SALGBC |
| | Submit Job Descriptions for Job Evaluation | | Re-align Job a Descriptions to Generic BC Job Descriptions | Completed the Re-drafting of all Job Descriptions (985) and submitted to PJEC | Await evaluation results from SALGBC for implementation | Job Descriptions (985) completed and submitted to PJEC | Await evaluation results from SALGBC for implementation | Await evaluation results from SALGBC for implementation | JD's submitted awaiting final report from SALGBC |
| | Rationalisation investigation taking into account all services to be delivered into the full area of jurisdiction. ▪ Investigation in progress 80% completed | Completed | Re-align organisational structure to the new IDP | Completed | Re-align the organisational structure with the aim of aspiring metro-status and new Council's vision. | Organisational structure approved and section 57 managers posts advertised | Appointment of section 57 managers in newly created posts | Appointments completed for six section 57 managers in newly created posts | Update organisational structure to ensure the alignment of functions with the objectives of the Council. |
| Strategic Planning Framework | Integrated Development Plan ▪ IDP Plan approved by Council ▪ Re-view plan annually ▪ Align Capital budget with IDP | Completed | Review annually and Maintain | Completed | Review annually and Maintain | Review completed | Review annually and Maintain | Review completed | Review annually and Maintain |

| Key performance Indicators | Progress with Implementation | Achieved in 2005/06 | Targets for 2006/07 | Achieved in 2006/07 | Targets for 2007/08 | Achieved in 2007/08 | Targets for 2008/09 | Achieved in 2008/09 | Targets for 2009/10 |
|--------------------------------------|---|--|--|--|--|--|--|--|--|
| | Local Economic Development <ul style="list-style-type: none"> LED Plan approved by Council Re-view on plan in progress Marketing Plan Investment plan Tourism plan Town Planning Scheme | Completed. | Review annually and Maintain | Completed. | Review annually and Maintain. | Review completed | Review annually and Maintain. | Review completed | Review annually and Maintain |
| Environmental Management framework | <ul style="list-style-type: none"> Environmental Impact Assessment plan approved. Position created and filled as dedicated Environmental Management co-ordinator. Position created and approved as Environmental Impact officer. | Environmental Management implementation completed | Completed. | Environmental Management implementation completed | Environmental Management implementation completed | Environmental Management reviewed | Review and maintain framework | Environmental Management reviewed | Review and maintain framework |
| Financial Planning Framework | <ul style="list-style-type: none"> Drafting of a consolidated financial planning framework Credit Control policy approved Credit Control Bylaws in place Credit Control Related Ordinances and Legislation applied. Asset Management System is being revised to make it GAMAP compliant. | Completed. Policies in place Ensure that the budget and financial statements fully comply with GAMAP. | Completed. Policies in place Ensure that the budget and financial statements fully comply with GAMAP. | Completed. Policies in place Ensure that the budget and financial statements fully comply with GAMAP. | Completed. Policies in place Ensure that the budget and financial statements fully comply with GAMAP and per MFMA requirements. | Policies reviewed | Completed. Policies in place Ensure that the budget and financial statements fully comply with GAMAP and per MFMA requirements. | Completed. Policies reviewed | Completed. Policies in place Ensure that the budget and financial statements fully comply with GAMAP and per MFMA requirements. |
| Public Safety and Security Framework | <ul style="list-style-type: none"> Disaster Management framework Position created and incumbent appointed to plan and co-ordinate disaster management. Crime Prevention framework Crime Prevention (Section 79 committee = Steering Committee established for this purpose) | In progress | Negotiations with Provincial Government in terms of Public Safety programme. Continuous | In progress | In progress | Reviewed | Negotiations with Provincial Government in terms of Public Safety programme | Reviewed | |
| Determine Council Policies | <ul style="list-style-type: none"> Drafting of Council Policies Indigent Policy Establishment of By-laws Code of Conduct for Councillors Official decision making process i.r.o. Council Resolutions Execution and adherence to Council Resolutions. | Completed. Maintain Policies | Review and Maintain Policies | Completed. Maintain Policies | Review and Maintain Policies | Completed. Maintain Policies | Review and Maintain Policies | Completed. Maintain Policies | Review and Maintain Policies |
| Develop reporting structures | <ul style="list-style-type: none"> Implementation of Sub-Committee and steering committee system. Implementation of a Portfolio Committee system with effect from 1 July 2003 | Completed. Maintain reporting structures | Completed. Maintain reporting structures | Completed. Maintain reporting structures | Review and Maintain reporting structures | Completed. Maintain reporting structures | Review and Maintain reporting structures | Completed. Maintain reporting structures | Review and Maintain reporting structures |
| Human Resource Management | <ul style="list-style-type: none"> Conditions of service approved | Completed and will be maintained | Completed and will be maintained | Completed and will be maintained | Completed and will be maintained | Completed and will be maintained | Completed and will be maintained | Completed and will be maintained | Completed and will be maintained |

| Key performance Indicators | Progress with Implementation | Achieved in 2005/06 | Targets for 2006/07 | Achieved in 2006/07 | Targets for 2007/08 | Achieved in 2007/08 | Targets for 2008/09 | Achieved in 2008/09 | Targets for 2009/10 |
|----------------------------|--|----------------------------------|--|--|------------------------------|--|------------------------------|--|------------------------------|
| | ▪ Skills Development Plan approved | Completed and will be maintained | Completed and will be maintained | Completed and will be maintained | Review and maintain | Completed and will be maintained | Review and maintain | Completed and will be maintained | Review and maintain |
| | ▪ Employment Equity Plan approved | | 80% of the 5 year plan to be completed by June 2006. | In progress Progress -reported elsewhere in the report | Maintain momentum on the EEP | In progress Progress -reported elsewhere in the report | Maintain momentum on the EEP | In progress Progress -reported elsewhere in the report | Maintain momentum on the EEP |
| | ▪ Labour relations | Completed. Maintain LL. | Completed. Maintain LL. | Completed. Maintain LL. | Completed. Maintain LL. | Completed. Maintain LL. | Completed. Maintain LL. | Completed. Maintain LL. | Completed. Maintain LL. |
| | ▪ She Risk Management Framework approved | Completed. Maintain | Completed. Maintain | Completed. Maintain | Completed. Maintain | Completed. Maintain | Completed. Maintain | Completed. Maintain | Completed. Maintain |
| | ▪ Occupational Health scheme | Completed. Maintain | Completed. Maintain | Completed. Maintain | Review and Maintain | Completed. Maintain | Review and Maintain | Review and Maintain | Review and Maintain |

| Key performance Indicators | Progress with Implementation | Achieved in 2005/06 | Targets for 2006/07 | Achieved in 2006/07 | Targets for 2007/08 | Achieved in 2007/08 | Targets for 2008/09 | Achieved in 2008/09 | Targets for 2009/10 |
|----------------------------------|---|--|---|--|---|---|--|--|---|
| Performance Management Framework | <ul style="list-style-type: none"> Council adopted the South African Excellence Model (SAEM) for measuring organisational performance during 2001. Develop and implement a Performance Management Framework approved by Council Individual Performance measurement approved and implemented for Municipal Manager and assessed for 2001/02 as well as for 2002/03. Individual Performance measurement approved and implemented for Head of Departments for 2002/03. Customer Satisfaction survey completed during October 2002. Establish a Performance Audit Committee, train members and report on organisational performance. First Performance Audit meeting held in February 2003. | <p>Council approval for the implementation of computerised PMS.</p> <p>New Performance contracts and performance plans for CEO and first line managers in place.</p> <p>Customer Satisfaction survey completed in March 2006</p> <p>Functioning Quarterly meetings</p> | <p>Implementation of computerised PMS.</p> <p>New Performance contracts and performance plans for CEO and first line managers in place.</p> <p>Customer Satisfaction survey completed by March 2007</p> <p>Meet quarterly</p> | <p>Development of computerised PMS in progress.</p> <p>Completed Performance contracts and performance plans for CEO and first line managers in place aligned to the performance regulations (No 805) of 1 August 2006.</p> <p>Customer Satisfaction survey completed in July 2007, Attached to this report.</p> <p>Functioning Quarterly meetings</p> | <p>Implementation of computerised PMS.</p> <p>New Performance contracts and performance plans for CEO and first line managers in place aligned to the performance regulations (No 805) of 1 August 2006.</p> <p>Customer Satisfaction survey completed by June 2008</p> <p>Meet quarterly</p> | <p>Development of computerised PMS in testing phase.</p> <p>Completed Performance contracts and performance plans for CEO and first line managers in place aligned to the performance regulations (No 805) of 1 August 2006.</p> <p>Customer Satisfaction survey completed in August 2007, Attached to this report.</p> <p>Functioning Quarterly meetings</p> | <p>Complete Implementation of computerised PMS.</p> <p>New Performance contracts and performance plans for CEO and first line managers in place aligned to the performance regulations (No 805) of 1 August 2006.</p> <p>Customer Satisfaction survey completed by June 2009</p> <p>Meet quarterly</p> | <p>Complete Implementation of computerised PMS.</p> <p>New Performance contracts and performance plans for CEO and first line managers in place aligned to the performance regulations (No 805) of 1 August 2006.</p> <p>Customer Satisfaction survey completed in June 2009</p> <p>Meet quarterly</p> | <p>Implementation of computerised PMS.</p> <p>New Performance contracts and performance plans for CEO and first line managers in place aligned to the performance regulations (No 805) of 1 August 2006.</p> <p>Customer Satisfaction survey completed by June 2010</p> <p>Meet quarterly</p> |
| Information Technology System | <p>Master Information System Plan approved.</p> <ul style="list-style-type: none"> Function outsourced in March 2002. Manage the IT demand Geographical Information System Establish a Web based GIS system | <p>Roll-out of IT Equipment, hardware and software licenses completed.</p> <p>Improvement of wide area computer network infrastructure completed</p> | <p>Roll-out of IT Equipment, hardware and software licenses.</p> | <p>Roll-out of IT Equipment, hardware and software licenses.</p> | <p>Roll-out of IT Equipment, hardware and software licenses.</p> | <p>Roll-out of IT Equipment, hardware and software licenses completed as per budget.</p> | <p>Roll-out of IT Equipment, hardware and software licenses.</p> | <p>Roll-out of IT Equipment, hardware and software licenses.</p> | <p>Roll-out of IT Equipment, hardware and software licenses.</p> |

TABLE 2 (Municipal Services)

Programmes and projects were identified and linked to the capital budget. No feedback from the Development Planning: Northern Regional Office on the information required in these tables for future reporting was received since the submission of the previous reports. New and re-defined indicators will be developed over time within the computerised performance management system. The IDP was reviewed and the structure changed from focussing on the Strategic Objectives to align with departmental objectives. The following measurements however are reflecting organisational performance targets and achievements against the reviewed IDP framework for 2007/2008.

1. GOOD GOVERNANCE

| NO | PROJECT / ACTIVITY | INDICATOR (KPI) | BASELINE | TARGET 2005/06 | ACHIEVED 2005/06 | TARGET 2006/07 | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | ACHIEVED 2008/09 | TARGET 2009/10 |
|-----|-------------------------------|---|-----------------------------|-------------------|---------------------|-------------------|------------------|-------------------|------------------|-------------------|--------------------|-------------------|
| 1.1 | Municipal Admin service | Overtime hours per agenda / minutes (production and delivery) | 4.24 | 3.00 | 1 184/328 = 3.6 | 3.5 | 1190/924 =1.28 | 2.5 | 1367/710 =1.93 | 2.5 | 1220/494 = 2.5 | 2.5 |
| 1.2 | Fire and Rescue – operational | Number of fire and rescue incidents | 2 866 | To attend to 100% | 2 153 | To attend to 100% | 1856 | To attend to 100% | 795 | To attend to 100% | 1887 | To attend to 100% |
| 1.3 | Fire prevention | Number of sites inspected for fire prevention | 2 009 | 3000 | 3 871 | 4 000 | 2115 | 4000 | 3635 | 4000 | 4290 | 4000 |
| 1.4 | Fire and Rescue – operational | Monetary value of property saved | R 1 102 940 421 | R 500 m | R 521 m | No target | R364 m | No target | R 1 155 668 000 | No target | R2 191 095 700 | No target |
| 1.5 | Fire prevention | Percentage of fire prevention inspections completed | 2 009 / 5 500 sites = 36.5% | 60% | 3 871/ 5500 = 70.4% | 4000 / 5500 = 73% | 215/5500=38 % | 4000 | 3635/5500=6 6% | 4000 | 4 290 / 5500 = 78% | 4000 |
| 1.6 | Licensing | Number of vehicles registered | 46 402 | 53000 | 55 182 | 57 500 | 24536 | N/A | 24169 | 23000 | 21457 | 23000 |
| | | Number of Vehicle Licence | Not reported | Not reported | Not reported | Not reported | 69157 | N/A | 67463 | 64000 | 74109 | 64000 |
| | | Learners licence Tested | Not reported | Not reported | Not reported | Not reported | 428 | N/A | 10912 | 10000 | 10934 | 10000 |
| | | Learners licence issued | Not reported | Not reported | Not reported | Not reported | 214 | N/A | 5331 | 5400 | 4914 | 5400 |

2. SUSTAINABLE INFRASTRUCTURE AND SERVICE PROVISION

| NO | PROJECT / ACTIVITY | INDICATOR (KPI) | BASELINE | TARGET 2005/06 | ACHIEVED 2005/06 | TARGET 2006/07 | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | ACHIEVED 2008/09 | TARGET 2009/10 |
|------|---|---|--|-----------------------|---|-----------------------|---|------------------------|---------------------------------|------------------------|-----------------------------|-------------------|
| 2.1 | Water Supply Projects | Percentage of households provided with a basic level of service | 27 011 / 30 786 = 87% | 56 500/ 74 269 =76,07 | 60328/ 74269 = 81,23% | 64500/ 74 269 = 86.85 | 64747/ 74 269 = 87.18% | 66240/ 74 269 = 89.19% | 66598/ 74 269 = 89.67% | 68000/ 74 269 = 91.56% | 70836/ 74269 =95% | 73542/ 74269 =99% |
| 2.2 | Water Supply Vote 059,060 | Average cost per kilo litre water supplied | R 2.09 per kilo litre | R2.25/ Kl | R2.37/ Kl | R2.55/ Kl | R2.64 | R2.75 | R1,20 | R1,50 | R1,10 | R1,50 |
| 2.3 | Water Supply | Number of kilolitre of water supplied | 28 524 185 kl | 37 884 560 kl | 35 983 153 kl | 37 000 000 kl | 3 550 381 kl | 38 000 000 kl | 38 623 828 kl | 40 000 000 kl | 50 605 959 kl | 53 000 000 kl |
| 2.4 | Water Supply | Percentage of un-accounted for water | 22.85% | 15% | 29,9% New Base | 28% | 31% | 28% | 30% | 28% | 45% | 40% |
| 2.5 | Wastewater treatment Vote 035 | Average cost per kilolitre of wastewater purified | R 1.29 per kilo litre | R1.25/ Kl | R1,16/ Kl | R1.25/ Kl | R1.47 | R1.60 | R1,12 | R1,40 | R1,26 | R1,45 |
| 2.6 | Wastewater treatment | Number of kiloliter wastewater purified | 13 879 044 kilolitre | 18 537 036 kilolitre | 15 154 691 kl | 18 537 036 kl | 16 477 617 | 18 537 036 | 17 364 605 | 18 000 000 | 18 431 521 | 18 500 000 |
| 2.7 | Electricity operations and maintenance | Average operational cost per 100 kWh | R 224 552 645 / 1 063 295 814 = R 211.19 kWh | R 263 /kWh | R185 084 301 / 1 133 492 550 = R16.32 kWh | | R189 019 761/1061 769 242 = R 17.80 KwH | R 17.50 | R 18,35 | R18,00 | R24.23 | R24.00 |
| 2.8 | Electricity operation | Total energy sold | 975 849 919 kWh | 1 179 556 000 kWh | 1 133 492 550 kWh | 1 091 349 678 kWh | 1 061 034 000 kWh | 1 091 350 000 kWh | 1 203 615 140 kWh | 1 091 350 000 kWh | 1 444 705 599 kWh | 1 500 000 000 kWh |
| 2.9 | Electricity operation | Percentage of total energy loss | 8.22% | 4% | 4.2% | 4% | 7% | 4% | 4% | 4% | 6% | 5% |
| 2.10 | Refuse removal | Total amount of refuse removed annually (Ton) | 116 120.20 tonnes | 140 000 tonnes | 61 590 tonnes new base | 65 000 tonnes | 46356 | 48 900 | 32 647 (lower due to recycling) | 50 000 | 51767 | 52150 |
| 2.11 | Refuse removal | Percentage of households/premises where refuse is collected | 63.4% | 68% | 53% new baseline | 55% | 69.9% | 70% | 70.19% at Dec'07 | 72% | 73.5% | 74% |
| 2.12 | Water pollution prevention | Man hours spent on inspection of factories and workshops | 330 | 400 | 413 | 400 | 341 | 400 | 458 | 400 | 384 | 400 |
| 2.13 | Water pollution | Number of factories and workshops visited | 330 | 400 | 413 | 400 | 341 | 400 | 458 | 400 | 256 | 400 |
| 2.14 | Water pollution | Number of sites transgressing water pollution legislation | 3 | 0 | 1 | 0 | 1 | 0 | 8 | 0 | 5 | 0 |
| 2.15 | Primary health care | No of patients visiting the clinics | 45 075 | 170 000 | 188 166 | 200 000 | 200 702 | 201000 | 194 973 | 200 000 | 213 707 | 235 000 |
| 2.16 | Environmental Health – informal traders | Number of informal traders educated | 728 | 900 | 1337 | 900 | 1291 | 1000 | 1389 | 1200 | 2375 | 1300 |
| 2.17 | Inspection of food formal premises | Inspection of formal food premises (number of premises) | 1666 | Not reported | Not reported | Not reported | Not reported | 1666 | 2072 | 2980 | 2654 | 2980 |
| 2.18 | Scheduled Trades | Inspection of scheduled trades | Not reported | Not reported | Not reported | Not reported | Not reported | 90 | 121 | 116 | 14 | 90 |
| 2.19 | Library services | Percentage of population using the service | 23 891 / 341 250 = 7% | 11% | 330 000 / 24 377 = 13.54% | 14% | 21926/33000 0 = 6.6 | 6,5% | 22679/3300 00= 6,8% | 6,9% | 23145/34110 4 = 6.8% | 6.9% |
| 2.20 | Library Services | Average cost of lending out items | R 3 652 336 / 474 129 = R 7.70 | R10 per item | R5 843 383 / 404 191 = R14.46 | R14 per item | 6451251/361 127 =R17.86 | R18.00 per item | R7 459 200/339288= R21.98 | R24,00 per item | R8 277 550/330 240 = R25.06 | R26 |

Note: 2.17 and 2.18 Target not met as result of vacancies (staff shortages)

3. SOCIAL AND ECONOMIC DEVELOPMENT

| NO | PROJECT / ACTIVITY | INDICATOR (KPI) | BASELINE | TARGET 2005/06 | ACHIEVED 2005/06 | TARGET 2006/07 | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | ACHIEVED 2008/09 | TARGET 2009/10 |
|-----|------------------------------|--|---|---|---|---|---|---|---|---|---|---|
| 3.1 | Development Control Services | Total number of plan evaluations (664), consent applications (181), inspections (628), zonings, certificates, relaxations. | No. of plan evaluations: 1 145 | No. of plan evaluations 1 700 | No. of plan evaluations 1468 | No. of plan evaluations 1500 | No. of plan evaluations 1373 | No. of plan evaluations 1400 | No. of plan evaluations 1220 | No. of plan evaluations 1200 | No. of plan evaluations 917 | No. of plan evaluations 1200 |
| | | | Consent applications: 82 | Consent applications 135 | Consent applications 100 | Consent applications 135 | Consent applications 70 | Consent applications 100 | Consent applications 104 | Consent applications 100 | Consent applications 38 | Consent applications 100 |
| | | | Building inspections: 817 | Building inspections: 2 400 | Building inspections: 2 754 | Building inspections: 2 400 | Building inspections 2392 | Building inspections 2400 | Building inspections: 2184 | Building inspections: 2300 | Building inspections: 2 373 | Building inspections: 2300 |
| | | | Rezoning applications: 18 | Rezoning applications: 40 | Rezoning applications: 24 | Rezoning applications: 30 | Rezoning applications: 12 | Rezoning applications: 15 | Rezoning applications: 26 | Rezoning applications: 25 | Rezoning applications: 17 | Rezoning applications: 25 |
| | | | Building line and side and rear space relaxations: 384 | Building line and side and rear space relaxations: 680 | Building line and side and rear space relaxations: 465 | Building line and side and rear space relaxations: 500 | Building line and side and rear space relaxations: 364 | Building line and side and rear space relaxations: 300 | Building line and side and rear space relaxations: 397 | Building line and side and rear space relaxations: 350 | Building line and side and rear space relaxations: 297 | Building line and side and rear space relaxations: 350 |
| 3.2 | Building Control | Total value of approved building plans | R 478 362 812 | R 500 m | R 327,40 m | R 350 m | R 360 m | R 400 m | R268.59m | R300m | R374.980m | R300m |

4. INSTITUTIONAL DEVELOPMENT

| NO | PROJECT / ACTIVITY | INDICATOR (KPI) | BASELINE | TARGET 2005/06 | ACHIEVED 2005/06 | TARGET 2006/07 | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | ACHIEVED 2008/09 | TARGET 2009/10 |
|-----|--------------------|---|------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|------------------|----------------|
| 4.1 | Personnel services | Percentage personnel turnover per year | 3.05% | 5,5% | 6.19% | 8.00% | 7.9% | 9% | 8.7% | 12% | 3.92% | 8% |
| 4.2 | Personnel services | Average cost per recruitment | R 1 930.21 | R2 000.00 | R1 826.00 | R2 500.00 | R1 067 | R2 500 | R2 300 | R3 500 | R1 311 | R3 500 |
| 4.3 | Labour Relations | Number of disciplinary incidents | 60 | 50 | 24 | 25 | 35 | N/A | 22 | N/A | 68 | 60 |
| 4.4 | Labour Relations | Average cost per disciplinary investigation | R 1 750.00 | R2 000.00 | R2 000.00 | R2 100.00 | R2 300 | N/A | R2 530 | N/A | R3 200 | R3 200 |

5. SOUND FINANCIAL MANAGEMENT

| NO | PROJECT / ACTIVITY | INDICATOR (KPI) | BASELINE | TARGET 2005/06 | ACHIEVED 2005/06 | TARGET 2006/07 | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | ACHIEVED 2008/09 | TARGET 2009/10 |
|-----|--------------------|---|--|--|-------------------------------------|-----------------------------------|------------------------------------|-----------------------------------|---|-------------------------------------|---|---------------------------------------|
| 5.1 | Credit management | Average amount collected per man hour spent | R 2 893 866 / 42 240 = R 68.51 | 4 500 000 / 40 000 = R 112.50 | 5613359/414 00= R 135.60 | 5500000/41 500 = R 132.53 | 6060483/4110 0 = R147.45 | 6000000/420 00 = R142.85 | 13 705 317.07/58000 = R236.30 | 6 000 000/55000= R109.00 | 13 589 499/58 00 = R234.30 | 10 000 000/58 00 =R172.41 |
| 5.2 | Credit management | Total amount of money collected/Total amount of services billed | R 357 636 270 / R 345 742 402 = 100.82% | 480 000 000/ 480 000 000 100% | 561335971/5 12761243 = 109.4% | 560000000/ 560000000 =100% | 606048350/54 0475757 =112.1% | 580000000/5 80000000 =100% | 596 276 558/568 843 823= 104.82% | 600 000 000/600 000 000= 100% | 752 183 049/736 843 236 =102.08% | 850 00 000 / 850 000 000 = 100% |
| 5.3 | Credit management | Total amount of arrears collected | R 2 893 866 | 4 500 000 | 5613359 | 5500000 | 6060483 | 6000000 | 13 705 317.07 | 6 000 000 | 13 589 499 | 9 000 000 |
| 5.4 | Creditors payment | Average creditors payment period | 48 days | 30 days | 41.75 | 30 | 71.69 | 30 | 28.48 | 30 | 32 | 30 |
| 5.5 | Creditors payment | Acid test ratio – Current assets less stock on hand/current liabilities | 1.75:1 | 1.5:1 | 0.68:1 | 1.5:1 | 1.5:1 | 1.5:1 | 0.86:1 | 1.0:1 | 1.0:1 | 1.2:1 |
| 5.6 | Income management | Average amount billed per man hour spent | R 345 742 402 / 111 360 = R 3 185.55 per man hour | 480 000 000/ 94 000 = R 5 106.38 | 512761243/9 4000 =R5 454.90 | 560000000/ 94000 =R5 957.44 | 540475757/94 000 =R5 749.74 | 580000000/9 4000 =R6 170.21 | 568 843 822.98/90000 = R6 320.49 | 6000 000 000/90000= R5 666.67 | 736 843 236/88 000 = R8 373.22 | 850 000 000/58 000= R 9 659.10 |
| 5.7 | Income management | Total amount of services billed | R 354 742 402 | 480 000 000 | 512761243 | 560000000 | 540475757 | 580000000 | 568 843 823 | 6000 000 000 | 736 843 236 | 850 000 000 |
| 5.8 | Income management | Percentage variance of the income budget | 94.37% | 100% | 99.34% | 100% | 101.81% | 100% | 100.09% | 98.00% | 112.48% | 100% |
| 5.9 | Fleet availability | Percentage availability per vehicle | 90.6% | 90% | 96% | 95% | 96% | 95% | 97.2 | 95% | 97 % | 95% |

TABLE 3 (MUNICIPAL SERVICES – GENERAL KEY PERFORMANCE INDICATORS 2008/2009 financial year: GKPI's / NKPI's)

1 THE PERCENTAGE OF HOUSEHOLDS WITH ACCESS TO BASIC LEVEL OF WATER, SANITATION, ELECTRICITY AND SOLID WASTE REMOVAL

Due to inaccuracy of number of households in the KZ 282 municipality, it is extremely difficult to provide statistics with a proven accuracy level. The latest number of households has been adjusted to 74 269, based on an investigation by SIVEST town planning consultants. This figure is regarded as the most accurate to date.

WATER

95,40% households have access to the basic RDP level of water supply service. The basic level for the provision of water is communal supply < 200m from a household. The target for 2008/2009 for basic RDP level of water supply service was 92.69%

| SERVICE LEVEL | NO OF HOUSEHOLDS | BASELINE | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | COMMENTS |
|--|----------------------------|------------------|--------------------|--------------------|---------------------------------|--------------------|--------------------------------------|--------------------------------------|-----------------------------------|------------------------------------|----------|
| | | | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| House connections | 31 533 | 42.46% | 34 643 (46.65%) | 35 000 (47.13%) | 34 766 (46.82%) | 35 000 (47.13%) | 34 766 + 108 = 34 874 (46.96%) | 34 874 + 102 = 34 876 (46.96%) | 34876 + 221 = 35097 (47.3%) | 35097 + 150 = 35247 (47.5%) | |
| Yard connections | 17 532 | 23.61% | 23 690 (31.90%) | 25 000 (33.66%) | 25865+545= 26410 (35.56%) | 31 557 (42.5%) | 26410 + 1435= 27853 (37.5%) | 27853 +116 = 27969 (37.66%) | 27969 + 580 = 28549 (38.4%) | 28549 + 3556 = 32105 (43.2%) | |
| Communal supply <200 m | 8 305 | 11.18% | 6 804 (9.15%) | 6842 (9.21%) | 5838 (7.56%) | 2275 (3.06%) | 861 (1.16%) | 70 (0.09%) | 232 (0.31%) | 3484 (4.7%) | |
| Communal supply >200 m | 7 850 | 13.45% | 9 132 (12.30%) | 7 427 (10.00%) | 7617 (10.26%) | 543 (7.32%) | 7617- 574=7043 (9.48%) | 7043-46= 6997 (9.42%) | 6997 – 348 = 6649 (9.0%) | 6649 – 3306 = 3433 (4.6%) | |
| No formal service | 13 941 | 18.77% | | | | | | | | | |
| Previous Total: 2005/06 2006/07 2007/08 | 74 269 74 269 74 269 | 77.26% 87.71% | | | | | | | | | |

SANITATION

52,20% households have access to the basic level of service for sanitation. The basic (RDP) level is a VIP per household. The target for 2008/2009 for basic RDP level of sanitation service was 52.23 %.

| SERVICE LEVEL | NO OF HOUSEHOLDS | BASELINE | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/2009 | Actual Achieved | | | | COMMENTS |
|-----------------------------|------------------|------------------|-------------------|--------------------|--------------------|--------------------|-------------------------------------|------------------------------------|----------------------------------|-------------------------------|----------|
| | | | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| Waterborne sewerage | 24 034 | 43.30% | 32 162 (43.3%) | 33 000 (44.44%) | 32 285 (43.47%) | 33 000 (44.44%) | 32 285 +192 = 32 477 (43.73%) | 32477 + 128 = 32 605 (43.9%) | 32 605 + 0 = 32605 (43.9%) | 32 605 + 0 = 32605 (43.9%) | |
| VIP 's **** | 8 057 | 10.85% | 8 057 (10.85%) | 13000 (17.50%) | 5458 (7.35%) | 2475 (3.33%) | 5458 | 5458 | 5458 | 6158 (8.3%) | |
| No formal service | 52384 | 45.85% | 49928 | 46926 | 46926 | 44451 | 36334 | 36186 | 36186 | 35506 47.8% | |
| Total 2005/06 2006/07 | 74 269 74 269 | 46.65% 54.15% | | | | | | | | | |

SOLID WASTE REMOVAL

73,50% households have access to the basic level of service for solid waste. The basic level is one removal of a 240-litre bin per week per household in urban areas and 78 skips serving households in rural demarcated wards. The target for 2008/2009 for basic solid waste removal service was 72%.

| INDICATOR | BASELINE | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | COMMENTS |
|--|--------------------|------------------------------------|------------------------------------|--------------------------------|---------------------------------|--------------------------|--------------------------|--------------------------|------------------------|----------|
| | | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| Basic level of service - urban (240 litre bins) | 40 625 = 54.70% | 40 625 bins/ 74 269 = 54.70% | 40 625 bins/ 74 269 = 54.70% | 40 766 / 74 269 = 54.89% | 43500 bins/74269 = 58.57% | 41100 / 74269 = 55.3% | 42300 / 74269 = 56.9% | 42300 / 74269 = 56.9% | 42400/74269 =57,1% | |
| Free basic level service | 11 286 = 15.20% | 11 286 / 74 269 = 15.20% | 11 364 / 74 269 = 15.30% | 11625 / 74 269 = 15.65% | 11850 | 11850 / 74269 = 16% | 12200 / 74269 = 16.4% | 12200 / 74269 = 16.4% | 1200/74269 =16,4% | |
| Skips placed in wards – additional to free basic service | 78 skips | New target | 40 skips | 77 skips | 127 | 90 | 115 | 127 | 127 | |
| Percentage of households with basic solid waste removal service | 63,4 % 69.90% | 69.90% | 70% | 70.19% | 72% | 70.4% | 70.9% | 73% | 73.5% | |

ELECTRICITY

There are currently two licence holders for electricity distribution and reticulation in the KZ 282 area (City of uMhlathuze) namely the City of uMhlathuze Electrical Department and ESKOM. It is therefore very difficult to determine the accuracy of statistics and forecasts provided by ESKOM.

The basic level of service for electricity is 50 kilowatt per month per household.

| INDICATOR | BASELINE | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | COMMENTS |
|--|----------|-----------------------------|------------------------------|-----------------------------|-----------------------------|-------------------------|------------------------|------------------------|------------------------|----------|
| | | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| Households with access to Electricity uMhlathuze area of supply | 99% | 29 261 households 99% | 30 000 households 100% | 29 891 households 99% | 32000 households 100% | 31612 households | 31912 households | 32 486 households | 32 876 households | |
| Households with access to Electricity Eskom area of supply | 70% | 92% | 92% | Not available | Not available | Not available | Not available | Not available | Not available | |

Note: It is difficult to reach a target of 100% as there is always development and the aim is to accommodate the supply to the new developments as the need arises.

2 THE PERCENTAGE OF HOUSEHOLDS EARNING LESS THAN R 1 100.00 PER MONTH WITH ACCESS TO FREE BASIC SERVICES

There is currently no accurate information available on income per household below R 1 100.00 per month. The City of uMhlathuze provides 6 kilolitres of water to all residents with access to water services. The 50 kilowatts of basic service level for electricity is not provided free of charge to all consumers and is only provided to consumers with an average consumption of less than 150 kilowatts over a 12 months period as per Council policy.

According to the City Electrical Engineer's Department, 709 households in the area of electricity supply by the Council, can be classified as "the poorest of the poor". These figures were obtained through Ward Committee Meetings. So far, 1000 households provided evidence of their financial state, of which the 709 households are now provided with 50 kilowatt electricity free of charge. However, only approximately 50% of the 709 households collect their free electricity tokens monthly.

According to the City Electrical Engineer's Department, ESKOM estimates that a total of 17 000 households in their area of electricity supply can be described as "the poorest of the poor". However, ESKOM does provide approximately 2 500 households with 50 kilowatt free electricity that gets subsidised by uMhlathuze municipality for the interim as ESKOM is still in the process of drafting a uniform policy.

3 THE NUMBER OF JOBS CREATED THROUGH A MUNICIPALITY'S LOCAL ECONOMIC DEVELOPMENT INITIATIVES INCLUDING CAPITAL PROJECTS

Council has adopted a LED policy according to which at least 750 sustainable jobs be created per annum. Each department is responsible for a number of different capital projects taking place throughout the year. Contractors would handle most of these projects. In that way Council will not actively employ more people but would only play a contract management role. The following table depicts the number of jobs created:

| INSTITUTION | 2006/2007 | | 2007/2008 | | 2008/2009 | | | | | | | |
|---|------------|--------------|------------|-------------|-------------------------|-----------|------------------------|-----------|------------------------|-----------|------------------------|-----------|
| | | | | | Quarter 1 30 Sept'08 | | Quarter 2 31 Dec'08 | | Quarter 3 31 Mar'09 | | Quarter 4 30 Jun'09 | |
| | PERMANENT | TEMPORARY | PERMANENT | TEMPORARY | PERMANENT | TEMPORARY | PERMANENT | TEMPORARY | PERMANENT | TEMPORARY | PERMANENT | TEMPORARY |
| Joint Development Forum | | | | | | | | | | | | |
| Zululand Centre for Sustainable Development | 995 | 1320 | 231 | 1183 | 0 | 3 | 0 | 39 | 15 | 27 | 0 | 15 |
| TOTAL | 995 | 1 320 | 231 | 1183 | 0 | 3 | 0 | 39 | 15 | 27 | 0 | 15 |

Comments: * Cumulative total for the 2008/2009 financial year

4 THE NUMBER OF PEOPLE FROM EMPLOYMENT EQUITY TARGET GROUPS EMPLOYED IN THE THREE HIGHEST LEVELS OF MANAGEMENT IN COMPLIANCE WITH THE MUNICIPALITY'S APPROVED EMPLOYMENT EQUITY PLAN

| OCCUPATIONAL LEVELS | LEVEL | VACANT POSTS | DESIGNATED | | | | | | | | | | | | | | | | NON-DESIGNATED | | | | TOTAL POSITIONS FILLED | TOTAL POSITIONS PER |
|---------------------|-------|--------------|------------|----------|----------|----------|--------|----------|---------|----------|----------|----------|--------|----------|-------|----------|----------|--------|----------------|----------|-------------------|--------|------------------------|---------------------|
| | | | MALE | | | | | | FEMALE | | | | | | | | DISABLED | | WHITE MALE | | FOREIGN NATIONALS | | | |
| | | | AFRICAN | | COLOURED | | INDIAN | | AFRICAN | | COLOURED | | INDIAN | | WHITE | | | | | | | | | |
| | | | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | MALE | FEMALE | CUR | NUM GOAL | MALE | FEMALE | | |
| TOP MANAGEMENT | 22 | 4 | 1 | 2 | 0 | 0 | 1 | 1 | 1 | 2 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 2 | 2 | 0 | 0 | 8 | 9 |
| | 21 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | TOTAL | 4 | 1 | 2 | 0 | 0 | 1 | 1 | 1 | 2 | 0 | 0 | 0 | 1 | 0 | 1 | 0 | 0 | 2 | 2 | 0 | 0 | 5 | 9 |
| SENIOR MANAGEMENT | 20 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 19 | 6 | 5 | 8 | 1 | 0 | 2 | 2 | 2 | 7 | 0 | 0 | 0 | 2 | 1 | 3 | 0 | 0 | 9 | 5 | 0 | 0 | 20 | 26 |
| | 18 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| | 17 | 5 | 4 | 4 | 0 | 0 | 1 | 1 | 1 | 4 | 0 | 0 | 0 | 1 | 2 | 1 | 0 | 0 | 1 | 3 | 0 | 0 | 9 | 14 |
| | 16 | 3 | 2 | 3 | 0 | 0 | 0 | 1 | 2 | 2 | 0 | 0 | 0 | 0 | 1 | 1 | 0 | 0 | 2 | 3 | 0 | 0 | 7 | 10 |
| | 15 | 7 | 8 | 10 | 0 | 0 | 1 | 2 | 5 | 7 | 0 | 0 | 1 | 1 | 5 | 5 | 0 | 0 | 6 | 8 | 0 | 0 | 26 | 33 |
| | TOTAL | 21 | 19 | 25 | 1 | 0 | 4 | 6 | 10 | 20 | 0 | 0 | 1 | 4 | 9 | 10 | 0 | 0 | 18 | 19 | 0 | 0 | 62 | 83 |

Comments: Table reflects statistics and is self explanatory.
Director Management Services vacant since end July 2007

5 FINANCIAL VIABILITY

The regulations on Planning and Performance Management also determine that the financial performance of municipalities have to be reported. Information regarding the following ratios must be provided:

$$A = B - C / D$$

Where "A" represents debt coverage

"B" represents total operating revenue received

"C" represents operating grants

"D" represents debt service payments

| DEBT COVERAGE | BASELINE | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | Comments |
|---|-------------|---------------------|-------------------|---------------------|-------------------|-------------------------|------------------------|------------------------|------------------------|------------------------------|
| | | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| B = Total operating revenue received | 480,666,482 | 924 036 400 | 894 008 400 | 1 441 968 982 | 1 269 305 700 | 288 367 794 | 262 663 389 | 256 175 548 | 281 152 990 | Per Quarter (Non-cumulative) |
| C = Operating grants | 25,930,168 | 195 634 000 | 85 749 100 | 100 794 253 | 155 504 800 | 22 213 000 | 23 341 943 | 31 561 710 | 24 941 274 | |
| D = debts service payments (interest & redemption due for the year) | 47,370,528 | 57 066 572 | 86 978 900 | 140 737 859 | 186 996 900 | 46 749 226 | 46 749 225 | 24 227 475 | 27 060 775 | |
| A = (B-C)/D | 9.60 | 12.76 | 9.29 | 9.53 | 5.96 | 5.70 | 5.12 | 9.27 | 9.47 | |

$$A = B/C$$

Where "A" – represents outstanding service debtors to revenue

"B" – represents total outstanding service debtors

"C" – represents annual revenue actually received for services

| OUTSTANDING SERVICE DEBTORS TO REVENUE | BASELINE | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | Comments |
|--|---------------|---------------------|-------------------|---------------------|-------------------|-------------------------|------------------------|------------------------|------------------------|----------|
| | | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| B = Outstanding service debtors | 38694618.07 | 82 586 339 | 83 000 000 | 297 334 595 | 84 000 000 | 86 228 701 | 83 621 515 | 89 187 670 | 70 386 682.15 | |
| C = Annual revenue actually received for service debtors | -393677485.14 | 533 792 284 | 568 344 900 | 1 438 1464 296 | 832 052 454 | 225 090 294 | 210 420 746 | 184 006 783 | 180 931 126 | |
| A = B/C | 0.10 | 0.15 | 0.15 | 0.02 | 0.10 | 0.38 | 0.39 | 0.48 | 0.39 | |

$$A = B + C/D$$

Where "A" – represents cost coverage

"B" – represents all available cash at a particular time

"C" – represents investments

"D" – represents monthly fixed operating expenditure

| COST COVERAGE | BASELINE | ACHIEVED 2006/07 | TARGET 2006/07 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | Comments |
|---|---------------|---------------------|-------------------|---------------------|-------------------|-------------------------|------------------------|------------------------|------------------------|--|
| | | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| B = All available cash at a particular time | 2 902 175.05 | 234 980 340 | 143 900 000 | 479 872 000 | 94 406 000 | 258 214 304 | 183 265 564 | 155 203 635 | 106 038 312 | All investments to be called back before June. |
| C = Investments | 37 038 303.74 | | | | | | | | | |
| D = Monthly fixed operating expenditure | 38 886 668.33 | 61 059 045 | 74 500 700 | 513 820 000 | 917 841 000 | 270 713 000 | 256 291 000 | 253 554 000 | 284 413 000 | |
| A = (B +C)/D | 1.03 | 3.84 | 1.9 | 0.09 | 0.11 | 0.96 | 0.72 | 0.61 | 0.38 | |

6 THE PERCENTAGE OF THE MUNICIPAL CAPITAL BUDGET ACTUALLY SPENT ON CAPITAL PROJECTS IDENTIFIED FOR A PARTICULAR YEAR IN TERMS OF THE MUNICIPALITY'S IDP.

| CAPITAL BUDGET ACTUALLY SPENT ON CAPITAL PROJECTS | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | Comments |
|--|---------------------|-------------------|---------------------|-------------------|----------------------------------|---------------------------------|---------------------------------|------------------------------------|--|
| | | | | | Quarter 1 30 Sept'08 | Quarter 2 31 Dec'08 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| Capital Budget amount spend on capital project / Total Capital budget X 100 | 81% | 90% | 63% | 90% | 46 332 830 / 559 467 900 = 8.28% | 143 793 390 / 559 467 900 = 26% | 248 480 631 / 506 125 500 = 49% | 359 295 282 / 506 125 500 = 70.99% | Cumulative. 3 rd and the 4 th quarter figure excludes re-valuation of Land and the additional land and buildings from the R296 towns(first time take on) |

7 THE PERCENTAGE OF THE MUNICIPAL BUDGET ACTUALLY SPENT ON IMPLEMENTING ITS WORKPLACE SKILLS PLAN

| WORKPLACE SKILLS PLAN | BASELINE | ACHIEVED 2006/07 | TARGET 2007/08 | ACHIEVED 2007/08 | TARGET 2008/09 | Actual Achieved | | | | Comments |
|-----------------------|-----------------------|---------------------|----------------------|---------------------|----------------------|-------------------------|--|--|--|------------|
| | | | | | | Quarter 1 30 Sept'09 | Quarter 2 31 Dec'09 | Quarter 3 31 Mar'09 | Quarter 4 30 Jun'09 | |
| Skills Levy | 1% of Salaries Budget | R 2 111 799 0.7% | R 2 061 700 0.73% | 0.67% | R 2 354 208/ 1.0% | 733 994.27 = 0.31% | (733 994.27) + 610 332.14 = 1 344 326.41 = 0.57% | (1 344 326.41) + 396 324.79 = 1 740 651.20 = 0.74% | (1 740 651.20) + 582 430.20 = 2 323 081.40 =0.99% | Cumulative |

TABLE 4

Service Delivery and Budget Implementation Plan (SDBIP) for 2008/2009 - Quarterly performance targets and performance achievements

Quarterly progress on non-financial performance targets (Component Three) for the fourth quarter was measured in terms of National Treasury's drafted circular (Municipal Finance Management Act (MFMA) Circular No. 13) which provides guidance and assistance to municipalities in the preparation of, and reporting on, the Service Delivery and Budget Implementation Plan (SDBIP) as required by the Municipal Finance Management Act (MFMA). The SDBIP gives effect to the Integrated Development Plan (IDP) and budget of the municipality and will be possible if the IDP and budget are fully aligned with each other, as required by the MFMA. The budget gives effect to the strategic priorities of the municipality and is not a management or implementation plan.

The SDBIP was drafted in the prescribed format including the most critical performance delivery and operational targets as determined and included into the performance scorecards of the Chief Executive Officer and Head of Departments.

The following tables depicts the quarterly non-financial performance targets and performance achievements as at 30 June 2009 in terms of Component 3 of the SDBIP as reported to Council, item 6222, RPT 146782 on 04 August 2009 (Financial Report for the City of uMhlathuze for the Quarter : 1 April 2009 to 30 June 2009 (Interim Results)) **DMS 579665**.

ITEM TO COUNCIL

CUSTOMER SATISFACTION SURVEY 2008/2009 ANALYSIS FEEDBACK REPORT

The report was submitted directly to the Executive Committee on 18 August 2009 item 6267, RPT 146729, with the concurrence of the Chairperson of the Executive Committee, Clr A Z Mnqayi.

PURPOSE

To inform the Council via the Performance Audit Committee on the results of the Customer Satisfaction Survey for 2008/2009 that was conducted during May/June 2009 on the perception of the community on municipal services delivery.

IDP STRATEGY AND OBJECTIVES

DEVELOPMENT STRATEGY 1: GOOD GOVERNANCE

Aim

- To ensure democratic, responsible, sustainable and equitable municipal governance
- To ensure social upliftment of its communities, in order to achieve a safe, secure and healthy environment.

Goals

- Improve liaison, communication and consultation with all stakeholders and role-players in order to facilitate effective and efficient provision of infrastructure, services and facilities
- Create a Safe and Secure Environment

BACKGROUND

In terms of the Municipal Systems Act, 2000 (Act No. 32 of 2000), a Customer Satisfaction Survey needs to be conducted annually to obtain statistical data for the quality indicators developed within the Performance Management Framework of the municipality. The customer satisfaction index is further required to review annual performance targets for services delivered by the municipality. Such a survey was conducted for the past five financial years, during March 2004, March 2005, May 2006, September 2007, August 2008 and again in May/June 2009.

All the previous surveys were performed by Interact for data collection and for the data capturing process. GijimaAst Consulting (Richards Bay) managed the projects and previously performed data analyses and reporting functions. Interact conducted the customer satisfaction surveys including the collection of data, capturing, analysing and reporting on the data for the most recent surveys.

DISCUSSION

A comprehensive draft report prepared by Interact, **(DMS 590355)**, dealing with the results of the Customer Satisfaction Survey is self-explanatory.

In summary, a total of 3098 households responded to the twenty-four survey questions. The satisfaction level of these households on the most important services is illustrated throughout the attached report. The following major services were addressed:

- water supply
- health care
- sanitation/sewerage
- electricity supply
- domestic refuse removal
- condition of roads
- IDP/budget process
- communication with the community
- municipal pay points
- sports facilities
- vehicle licensing services
- traffic law enforcement visibility, and
- emergency after-hour emergency municipal services.

The overall perception during 2008/2009 seems to have slightly declined in terms of how the community experiences Council's service levels; however the average perception on satisfactory/excellent remains close to 80%. The survey confirms that in the more developed areas of the Municipality people are, by and large, satisfied with the services they receive. In the less developed areas, levels of satisfaction drop. Dissatisfaction is the highest in the tribal and undeveloped areas.

| | Average percentage % | | | | | | | | | | | | | |
|-----------------------------|----------------------|------|-------------|------|-------------|------|-------------|------|-------------|-------|-------------|----|-------------|-------|
| | 2002 / 2003 | | 2003 / 2004 | | 2004 / 2005 | | 2005 / 2006 | | 2006 / 2007 | | 2007 / 2008 | | 2008 / 2009 | |
| Excellent | 16.2 | 70.3 | 16.9 | 77.6 | 25.8 | 80.3 | 25.9 | 82.4 | 30.38 | 83.93 | 9 | 87 | 28.40 | 79.03 |
| Satisfactory | 54.1 | | 60.7 | | 54.5 | | 56.5 | | 53.55 | | 78 | | 50.63 | |
| Not Completely Satisfactory | 9.4 | 29.7 | 14.4 | 22.4 | 12.6 | 19.7 | 13.3 | 17.6 | 9.0 | 16.07 | 7 | 13 | 15.47 | 20.97 |
| Totally Unsatisfactory | 20.3 | | 8 | | 7.1 | | 4.3 | | 7.07 | | 6 | | 5.50 | |

The average percentage of satisfaction levels above excludes the responses received on the condition of Provincial Roads (mainly in the rural areas), since maintenance of these roads falls outside the responsibility of uMhlathuze municipality, although these roads fall within the municipal boundaries.

The information, if analysed in more detail, could be useful in determining the areas of improvement Council should focus on.

RECOMMENDED THAT:

the results of the customer satisfaction survey (DMS 590355) be noted and that the survey be analysed with a view to improving service levels and maintaining them at a high standard especially in the areas where the satisfaction levels are not up to expectations.

See attached results report (DMS 590355)



**CUSTOMER SATISFACTION SURVEY
ANALYSIS REPORT
2008/2009**

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1. BACKGROUND

A customer satisfaction survey needs to be conducted annually to obtain statistical data for the quality indicators developed within the Performance Management Framework of the Municipality. The customer satisfaction index is further required to review annual performance targets for services delivered by the Municipality.

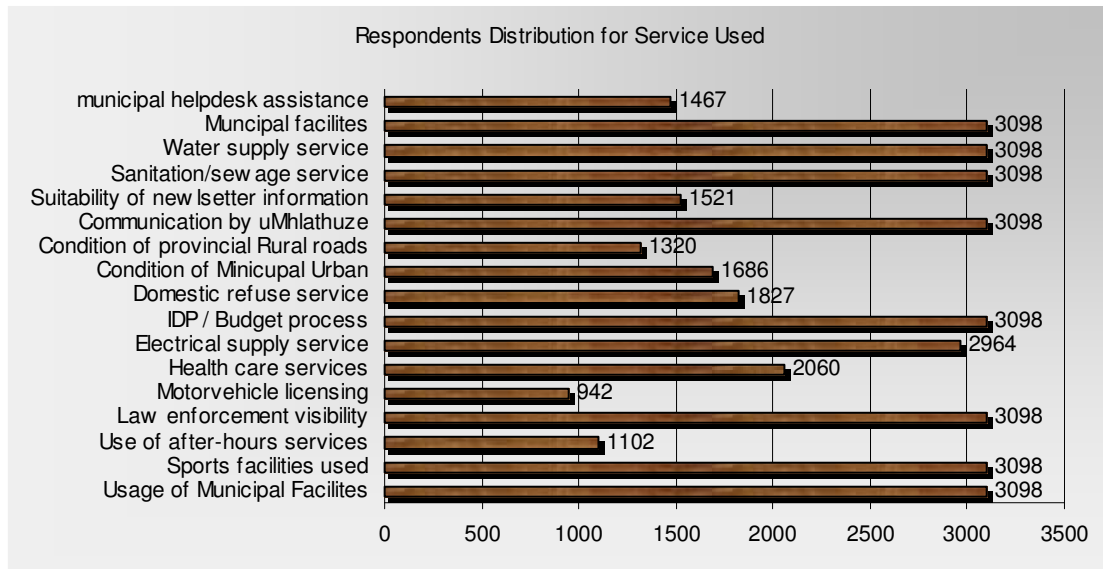
The total number of households in the uMhlathuze area of jurisdiction used for national indicators (38 023 households) according to the uMhlathuze Water Services Development Plan was used as the basis. The Geographical distribution and the following population sample size survey, as reflected in the number of questionnaires, were utilized to ensure the statistical accuracy of the survey:

| Urban Areas | Number of households | % of total population | Required Number of questionnaires per area | Actual Number of questionnaires per area |
|-------------------|----------------------|-----------------------|--|--|
| Richards Bay | 6142 | 16.0% | 480 | 512 |
| Empangeni | 3529 | 9.0% | 270 | 298 |
| Nseleni | 1872 | 5.0% | 150 | 150 |
| Esikhawini | 7359 | 20% | 600 | 601 |
| Ngwelezane | 2187 | 6.0% | 180 | 182 |
| Vulindlela | 286 | 1.0% | 30 | 35 |
| | 21375 | 57% | 1710 | 1778 |
| Traditional Areas | Number of households | % of total population | Number of questionnaires per area | Actual Number of questionnaires per area |
| Bhejane Khoza | 3794 | 10.0% | 300 | 327 |
| Dube | 1586 | 4.0% | 120 | 125 |
| Madlebe | 6209 | 16.0% | 520 | 483 |
| Mkhwanazi North | 5059 | 13.0% | 175 | 204 |
| Mkhwanazi South | | | 175 | 181 |
| | 16648 | 43% | 1290 | 1320 |
| Total | 38023 | 100% | 3000 | 3098 |

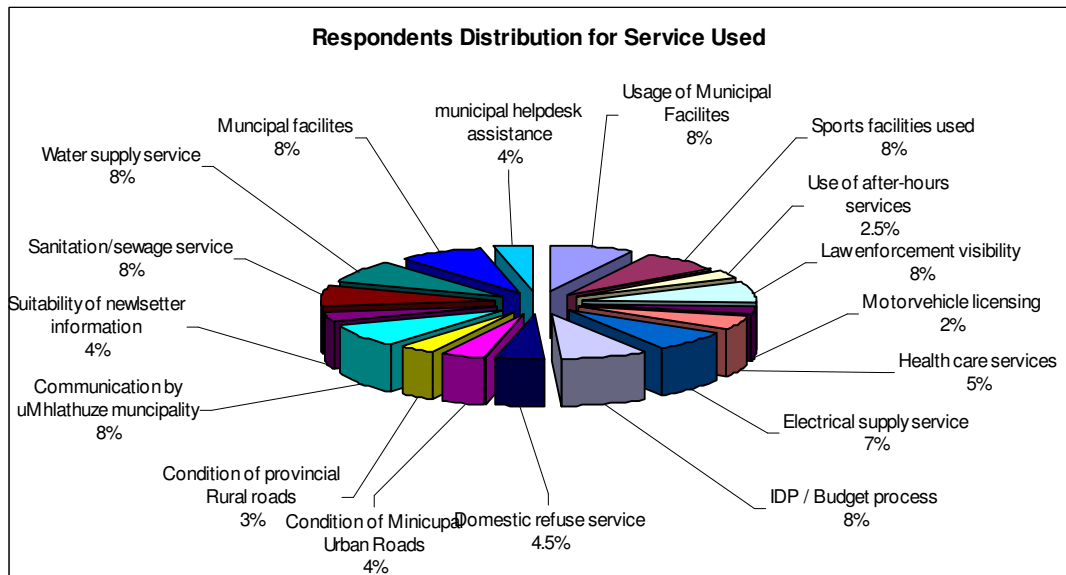
For the purpose of this report the results will be illustrated for the total area of jurisdiction as well as separate responses for the urban areas and for the Traditional areas. Information on all the questions is available on all the different areas, with a further breakdown per suburb in Richards Bay. This information is available upon request.

2. SURVEY RESPONSE

A total of 3098 households responded to the twenty four survey questions. The satisfaction level of these households with regard to the services is illustrated throughout this report. The following services were regarded as high priority: water supply, health care, sanitation/sewerage, electricity supply, domestic refuse removal, condition of roads, communication with the community, Municipal assistance, sports facilities, licensing services, law enforcement visibility and after-hours emergency services. Most of these services are also identified to be National Key Performance Indicators. The following figures illustrate the number of responses to the survey's thirteen questions concerning satisfaction with particular services:



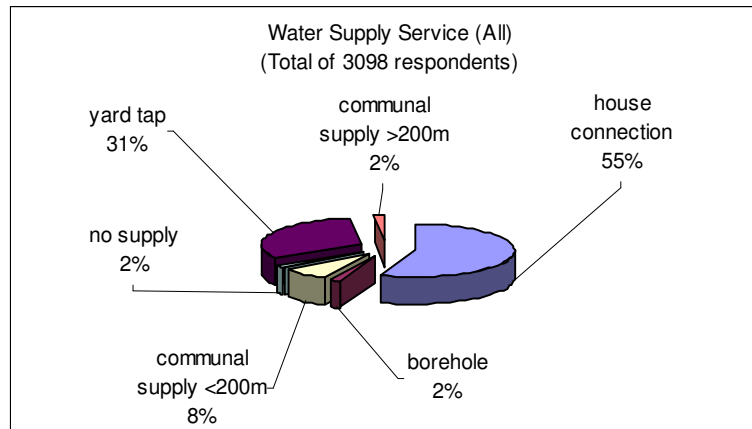
The above figure illustrates the number of respondents for each of the services as well as the percentage contributed towards the total number of the 38 023 population data.



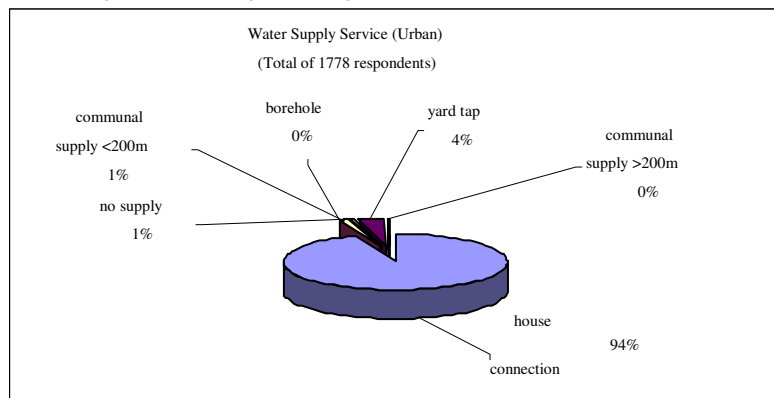
The levels of customer satisfaction with the above services are discussed and illustrated individually below.

WATER SUPPLY SERVICE

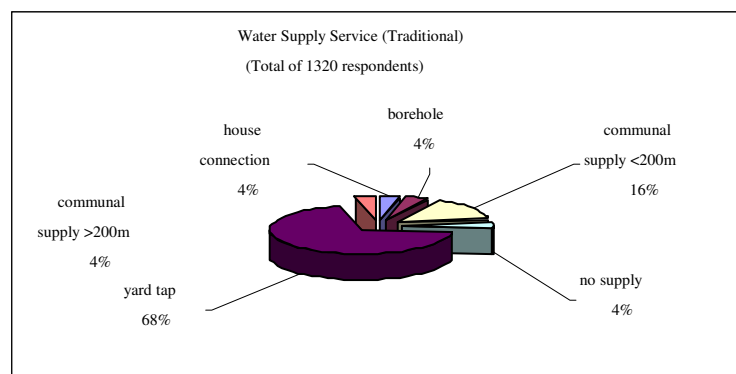
The water supply service currently delivered to the community by the City of uMhlathuze is categorized in terms of National regulations. The categories are divided and measured as follows: house connections, yard connections, communal supply within 200 metres distance (RDP level); communal supply further than 200 metres distance, boreholes. The aim is to improve and upgrade the standard of water supply services level. The survey recorded customer satisfaction with the current service delivered to the community. The following figure illustrates the type of water supply service rendered to the 3098 households that were approached during the survey.



The following figure illustrates the type of water supply service rendered to the households that were approached during the survey in the urban areas. The responses from the 1778 households currently served with water, are expressed as a percentage.

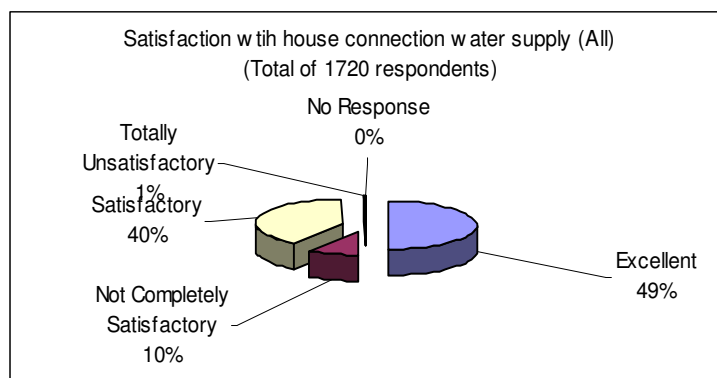


The following figure illustrates the type of water supply service rendered to the households that were approached during the survey in the traditional areas. The responses from the 1320 households currently served with water, are expressed as a percentage. 47 of the respondents do not have water supply.

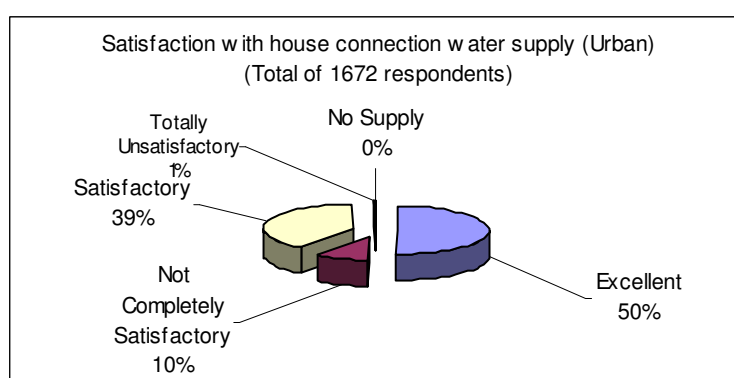


House connection water supply

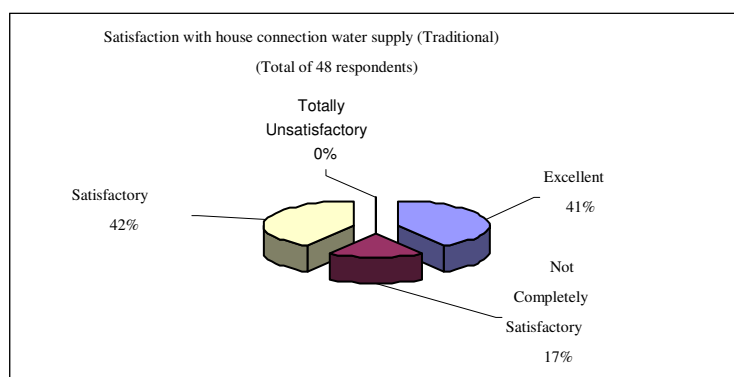
The number of households in the survey with this type of connection was 1720. The following figure illustrates a high satisfaction level among the respondents currently receiving this service.



The following figure illustrates the satisfaction level among the 1672 respondents currently receiving this service in the urban areas.

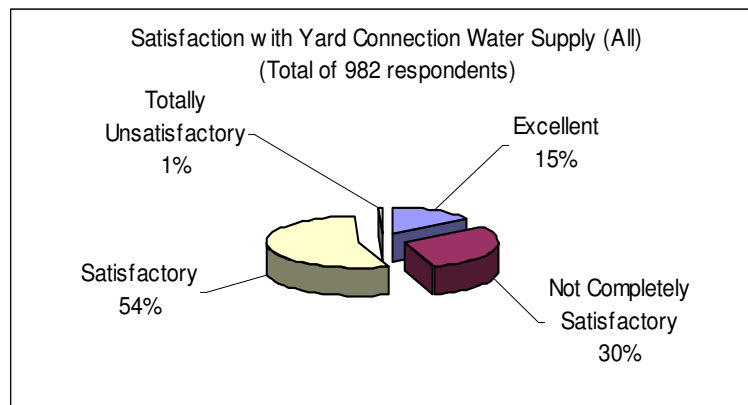


The following figure illustrates the satisfaction level among the 48 respondents currently receiving this service in the traditional areas.

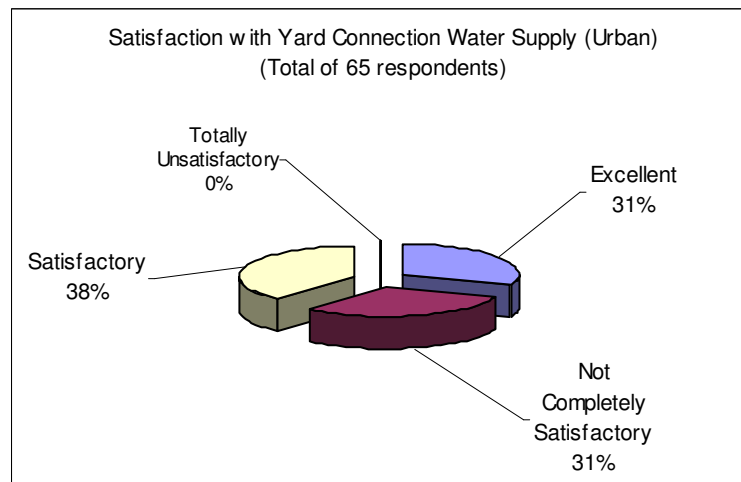


Yard Connection

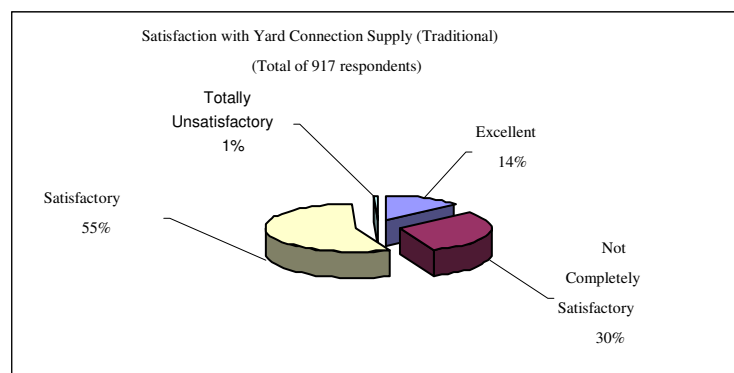
The number of households in the survey with yard connection was 982. The satisfaction level of the households currently receiving yard connection water supply is illustrated as follows.



The following figure illustrates the satisfaction level among the 65 respondents currently receiving this service in the urban areas.

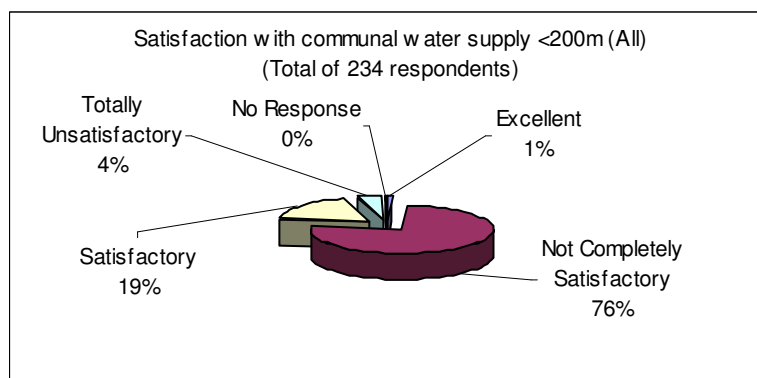


The following figure illustrates the satisfaction level among the 917 respondents currently receiving this service in the traditional areas.

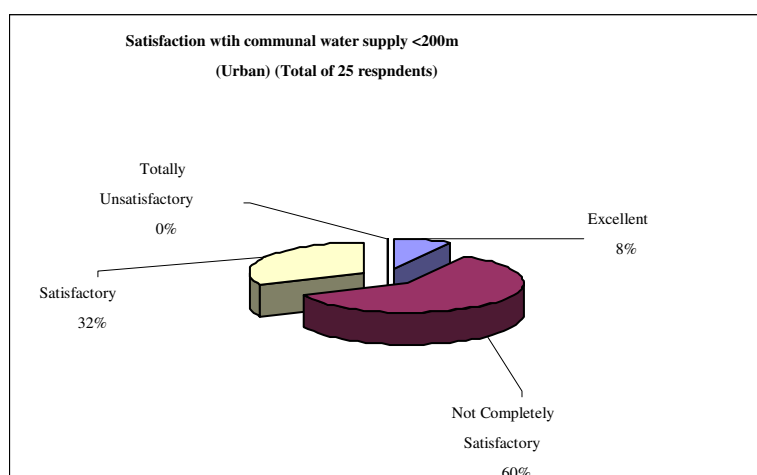


Communal Water Supply within 200metres

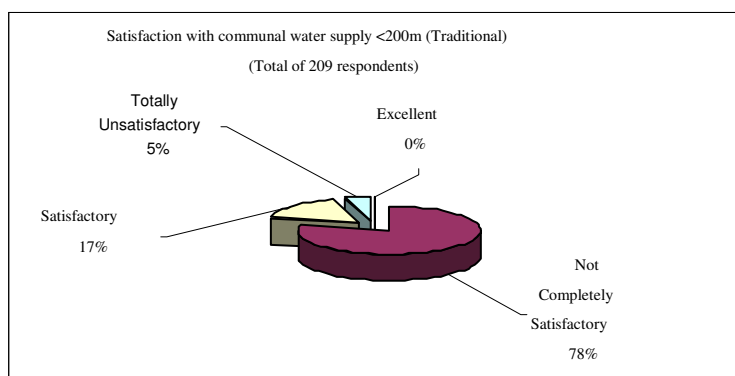
This level of service is as per RDP standard where running water is supplied via a communal water supply of a distance of no more than 200 metres from the residence. The satisfaction level of the 234 respondents currently receiving this service is illustrated as follows.



The following figure illustrates the satisfaction level among the 25 respondents currently receiving this service in the urban areas.

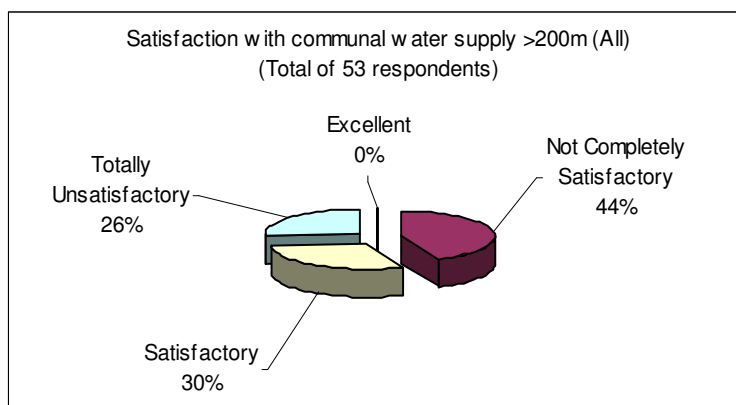


The following figure illustrates the satisfaction level among the 209 respondents currently receiving this service in the traditional areas.

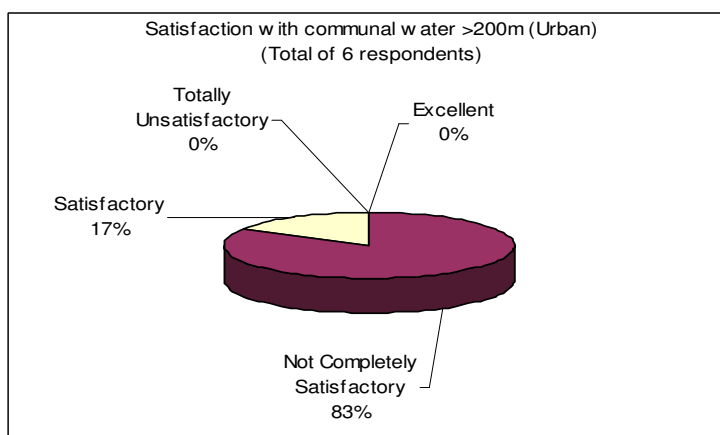


Communal water supply further than >200metres

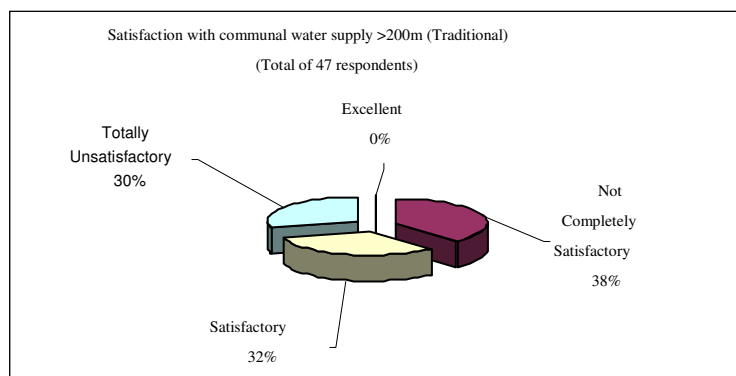
The number of households in the survey with communal water supply was 53.



The following figure illustrates the satisfaction level among the 6 respondents currently receiving this service.



The following figure illustrates the satisfaction level among the 47 respondents currently receiving this service.

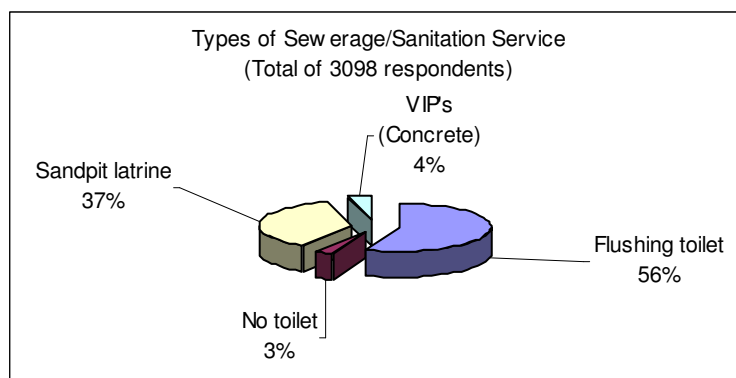


Respondents in urban areas who were not satisfied with their water supply complained variously about: lack of notification when the supply is interrupted; variable pressure; bad taste; cost of water.

Respondents in the traditional areas voiced similar complaints. An additional concern is that boreholes are too far away.

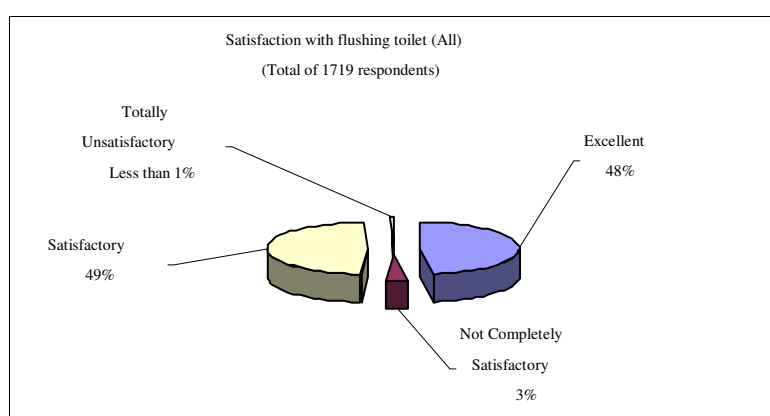
SANITATION SERVICE

The following figure illustrates the distribution of the type of sanitation service delivered to the households surveyed. The total number of respondents was 3098. The 3% of households with no sanitation service are from the traditional areas and comprise 82 respondents.

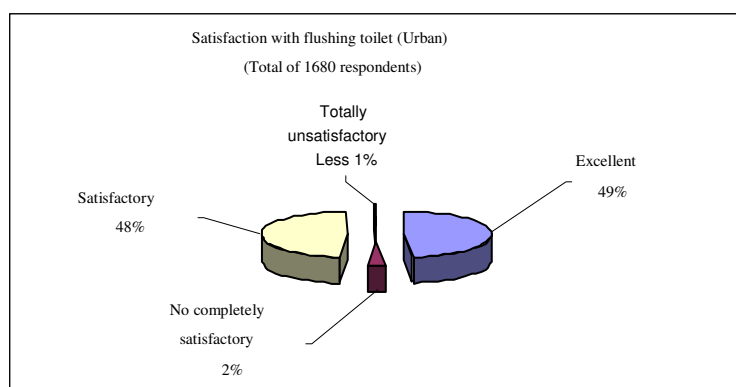


Flushing toilet service

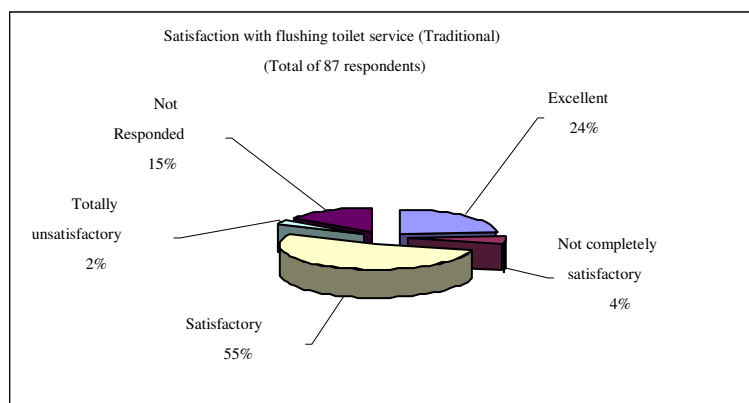
A flushing toilet service is delivered to households in the urban and developed areas. The following figure illustrates the satisfaction rating of the 1719 respondents currently receiving this service. The satisfaction level for this service is exceptionally good.



The following figure illustrates the satisfaction level among the 1680 respondents currently receiving this service in the urban areas.

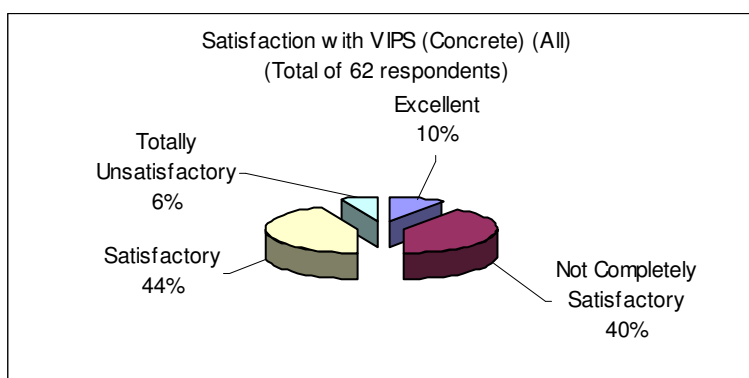


The following figure illustrates the satisfaction level among the 87 respondents currently receiving this service in the traditional areas.

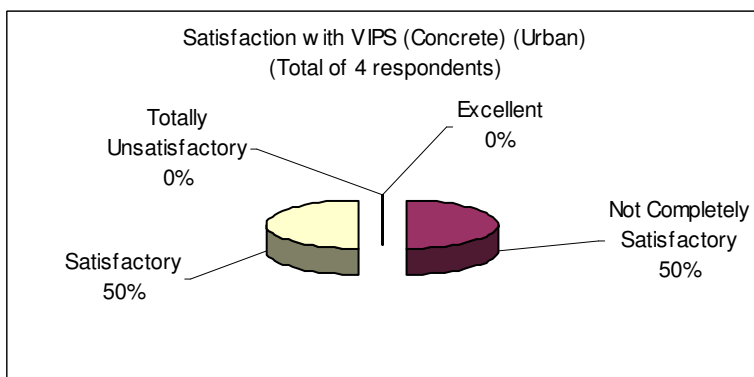


VIPs (Concrete)

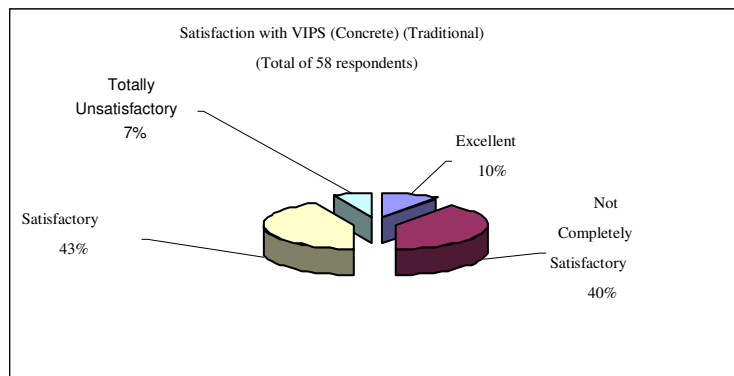
The VIPs (Concrete) service is predominantly delivered in the traditional areas. The number of respondents with this facility is 62.



The following figure illustrates the satisfaction level among the 4 respondents currently receiving this service in the urban areas.



The following figure illustrates the satisfaction level among the 58 respondents currently receiving this service in the traditional areas.



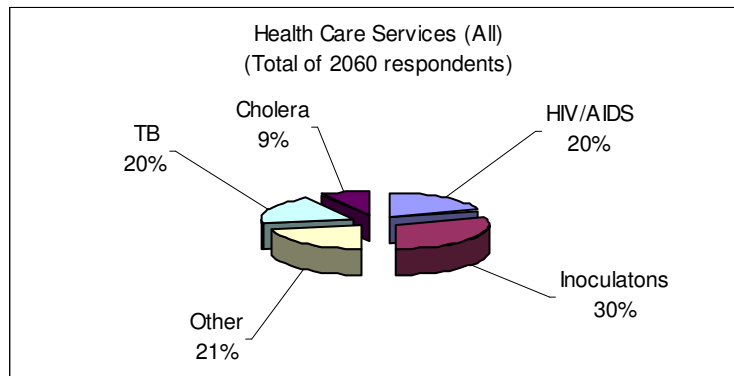
Sandpit Latrine (Own)

The VIPS (Concrete) service is not delivered to the whole community in the traditional and informal developed areas. Consequently, 1980 respondents reported having sandpits or having constructed their own sandpit latrines.

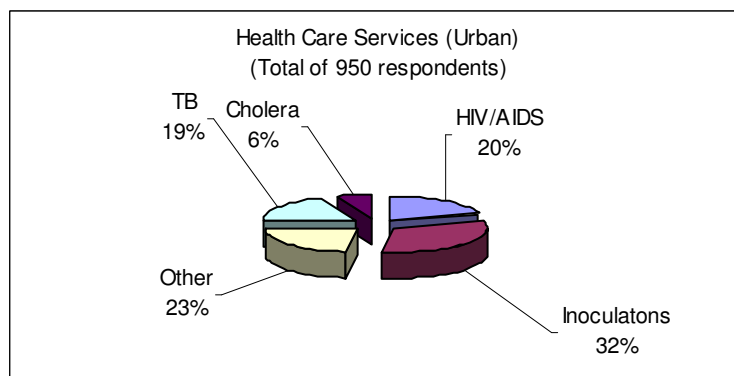
Lack of satisfaction with sanitation services in the urban areas generally concerned poor and/or blocked drainage systems. The predominant concern in traditional areas is with dilapidated, leaking and full VIPS.

HEALTH CARE SERVICE

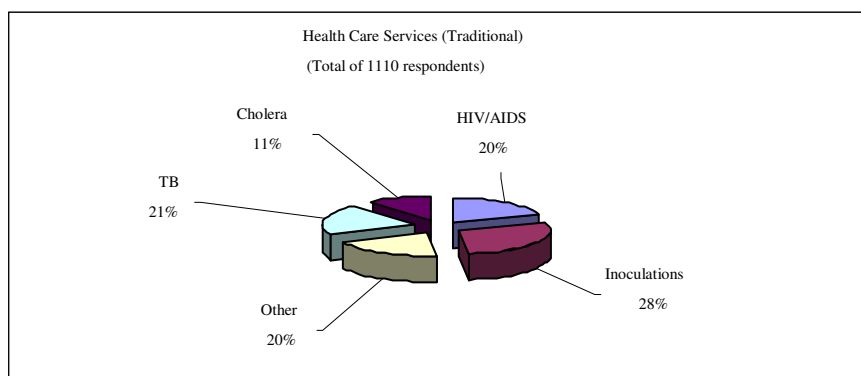
2060 households from the total number of 3098 households approached during the survey reported having made use in the previous 12 months of the health care services provided by the uMhlathuze Municipality. 1038 respondents did not make use of any health care services provided by the uMhlathuze Municipality. The following figure illustrates the distribution of services used by the 2060 respondents. The services reported on in the survey are TB treatment, HIV/AIDS counseling, cholera treatment, health education (other than HIV/AIDS) and inoculations. Usage of, and satisfaction levels with, these services are illustrated in the next 18 charts.



The following figure illustrates the distribution of health care services used by the 950 respondents in the urban areas.

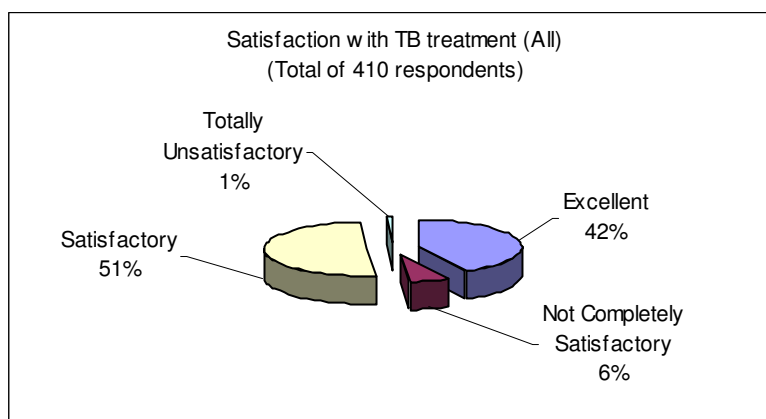


The following figure illustrates the distribution of health care services used by the 1110 respondents in the traditional areas.

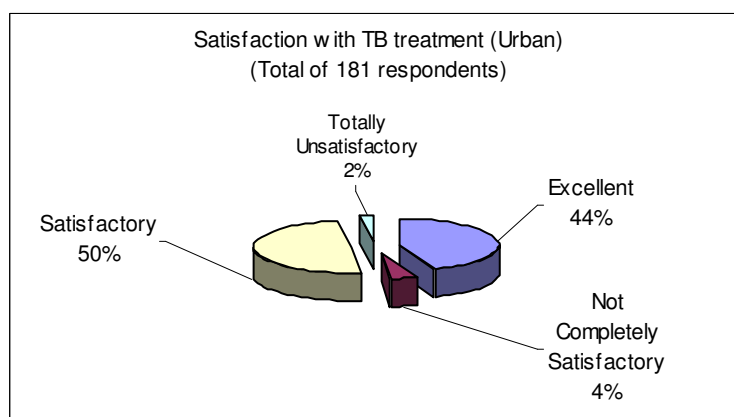


TB Treatment

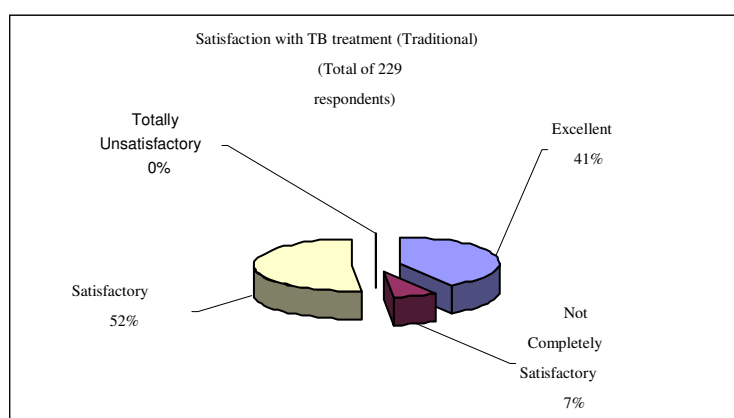
The satisfaction levels of the 410 households which reported having made use of the TB treatment service is as follows.



The following figure illustrates the satisfaction level among the 181 respondents who made use of the TB treatment service in the urban areas.

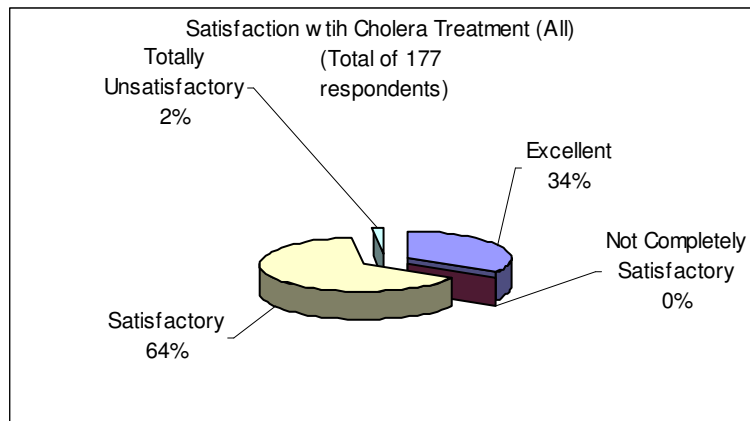


The following figure illustrates the satisfaction level among the 229 respondents who made use of the TB treatment service in the traditional areas.

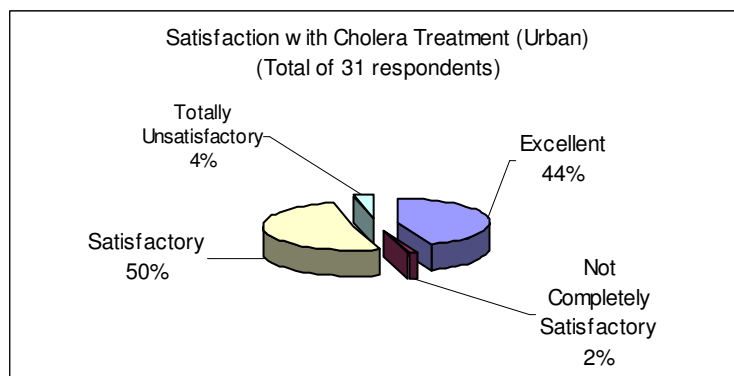


Cholera Treatment

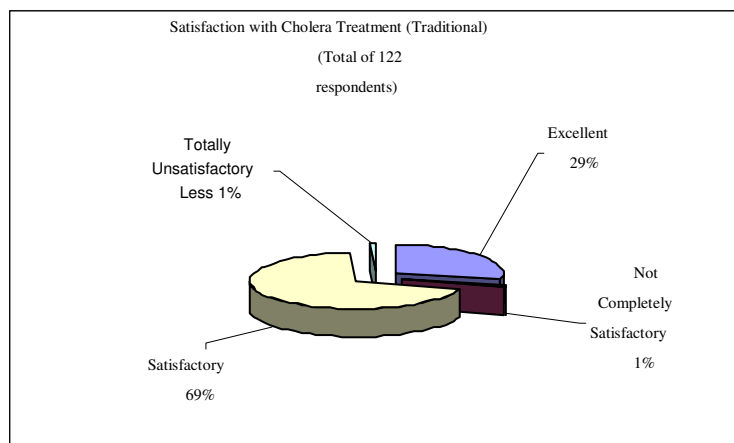
The number of households who reported having used this service was 177. Satisfaction levels are illustrated below.



The following figure illustrates the satisfaction level among the 31 respondents who made use of the cholera treatment service in the urban areas.

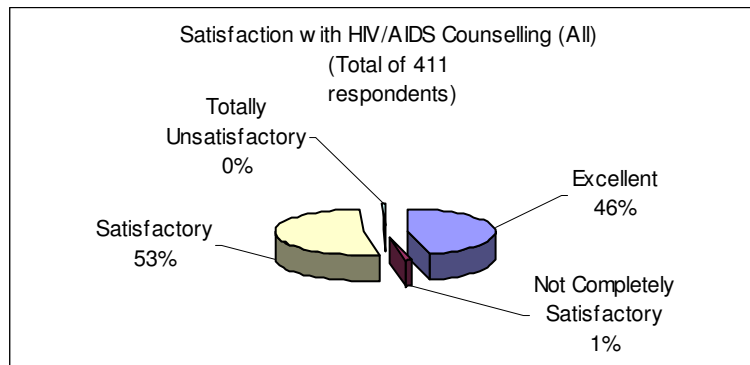


The following figure illustrates the satisfaction level among the 122 respondents who made use of the Cholera treatment service in the traditional areas.

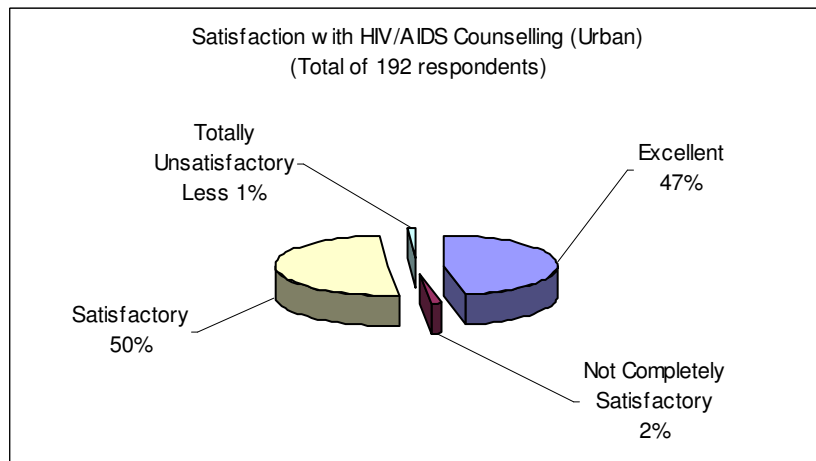


HIV/AIDS Counseling

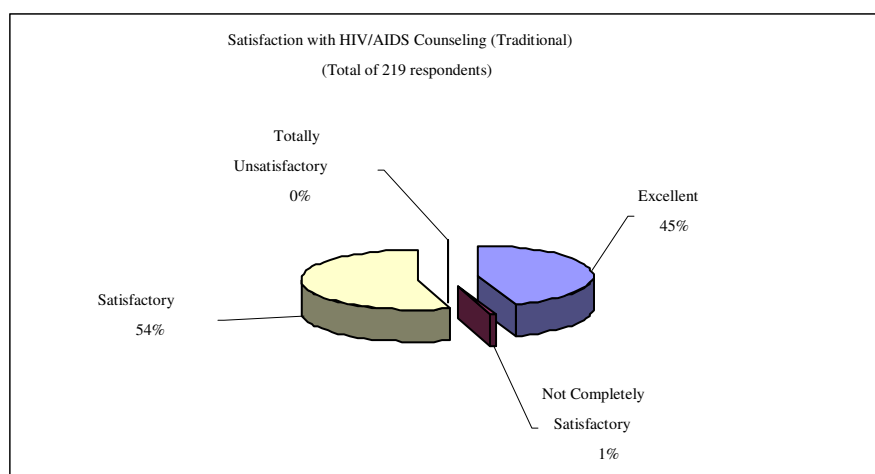
The number of households who reported having used this service was 411. Satisfaction levels are illustrated below.



The following figure illustrates the satisfaction level among the 192 respondents who made use of the HIV/AIDS counseling service in the urban areas.

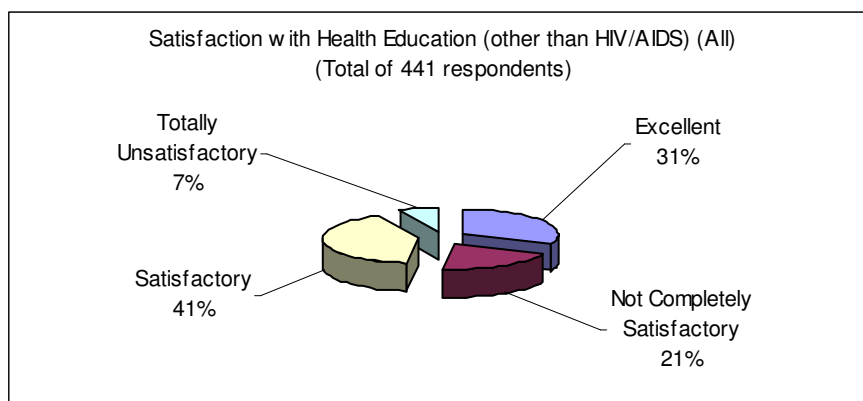


The following figure illustrates the satisfaction level among the 219 respondents who made use of the HIV/AIDS counseling service in the traditional areas.

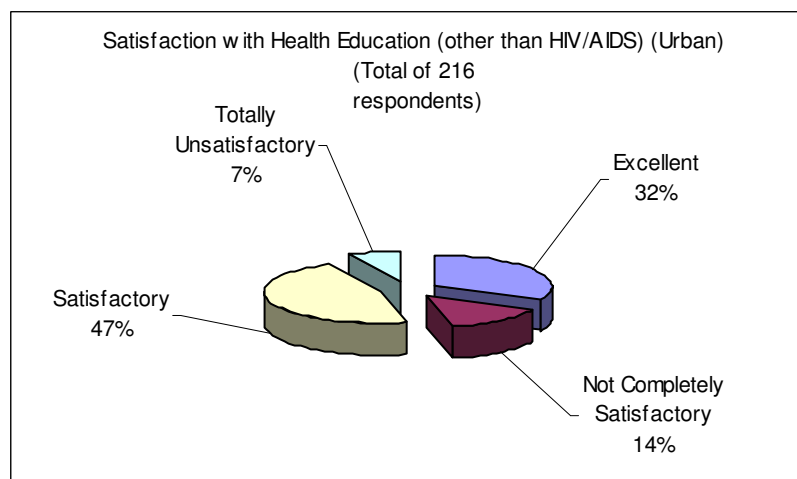


Health Education (other than HIV/AIDS)

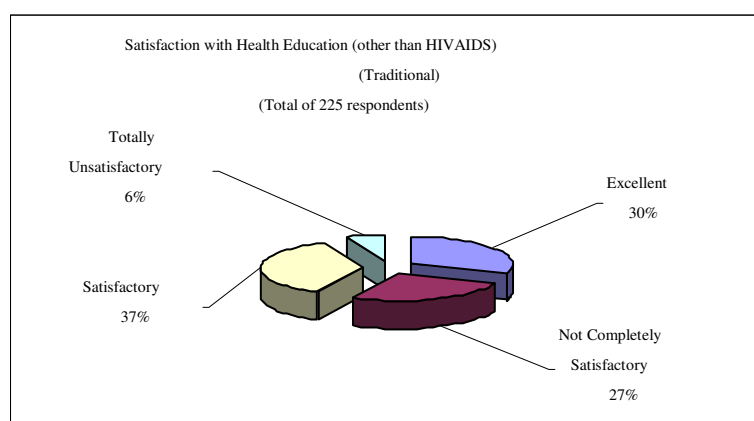
The number of households responding to this question was 441. Satisfaction levels are illustrated below.



The following figure illustrates the satisfaction levels among the 216 respondents who made use of the health education service in the urban areas.

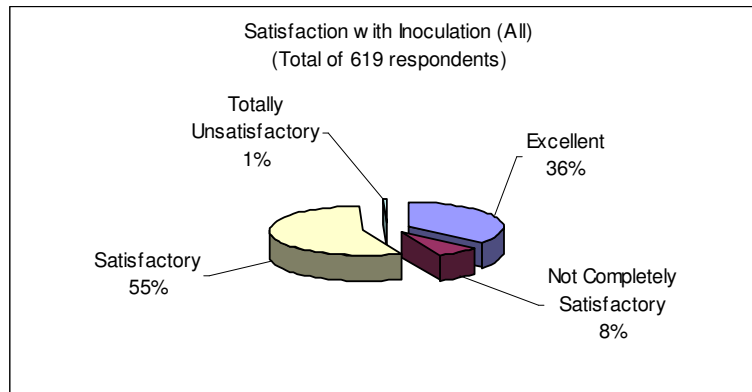


The following figure illustrates the satisfaction level among the 225 respondents who made use of the health education service in the traditional areas.

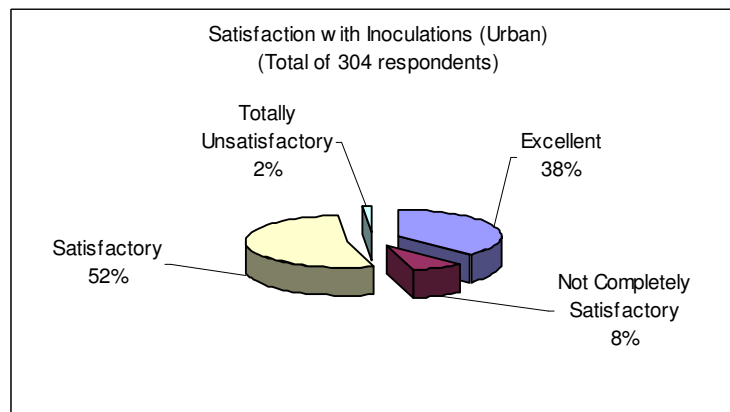


Inoculations

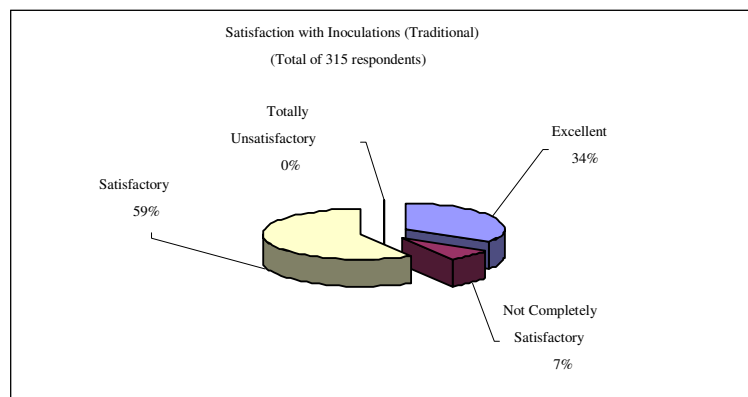
The number of households who responded to this question was 619. Satisfaction levels are illustrated below.



The following figure illustrates the satisfaction level among the 304 respondents who made use of the inoculations service in the urban areas.



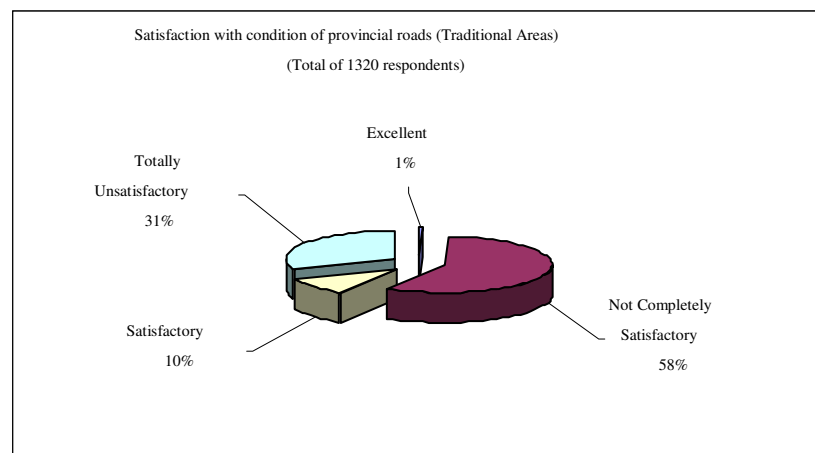
The following figure illustrates the satisfaction level among the 315 respondents who made use of the inoculations service in the traditional areas.



Complaints about the Municipality's Health Services centre around the Clinics, and include: staff shortages (leading to long queues); shortage of medicaments; poor and uncivil service; inflexible opening times; distance from community.

PROVINCIAL ROADS

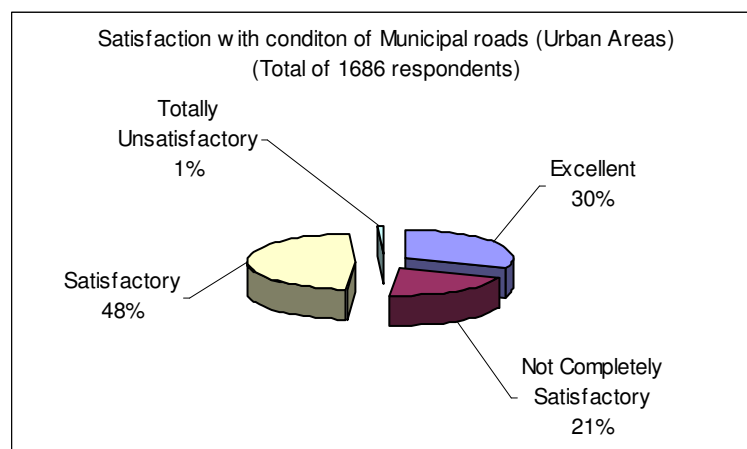
The perception of the community with regard to their satisfaction with the provincial road infrastructure was measured in general. The number of households which responded to this question in the survey was 1320. The following figure illustrates the satisfaction response received.



The high levels of dissatisfaction concern the fact that in many areas there are no tarred roads. Existing roads are dusty in dry conditions and muddy when it rains. Potholes are an additional cause for complaint. Many houses have no access roads from main roads.

MUNICIPAL ROADS

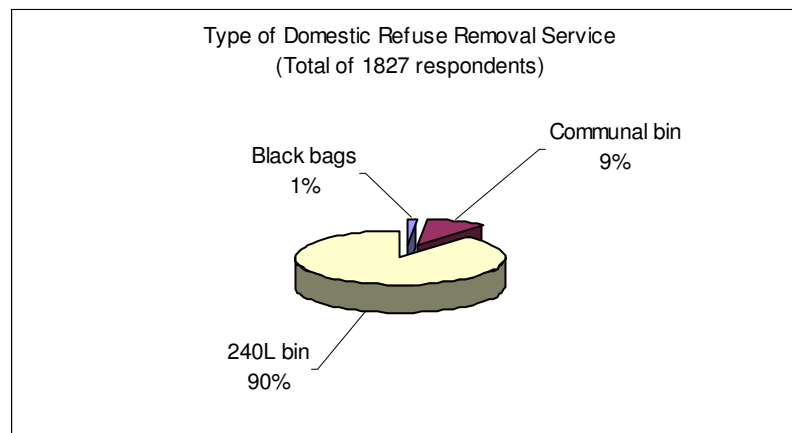
The perception of the community with regard to their satisfaction with the roads infrastructure and condition of roads in their immediate vicinity was measured in general. This included tarred as well as gravel roads and streets. The number of households which responded to this question in the survey was 1686. The following figure illustrates the satisfaction response received.



Complaints most commonly voiced by those respondents not satisfied with the state of Municipal roads include: potholes and uneven surfaces; lack of speed humps; poorly maintained verges; inadequate and/or poorly maintained street lighting; poor signage.

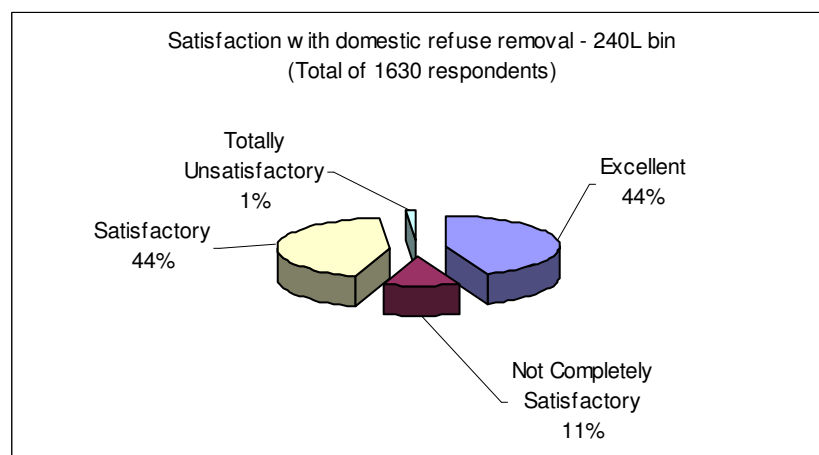
DOMESTIC REFUSE REMOVAL

The domestic refuse removal service currently delivered by the City of uMhlathuze to households in urban areas is either 240 liter bins, black bags or communal bins. The total number of respondents to this question was 3098, of whom 1827 receive a domestic refuse removal service. Distribution of the type of refuse removal service received by these respondents is illustrated below.



240 litre Bin service

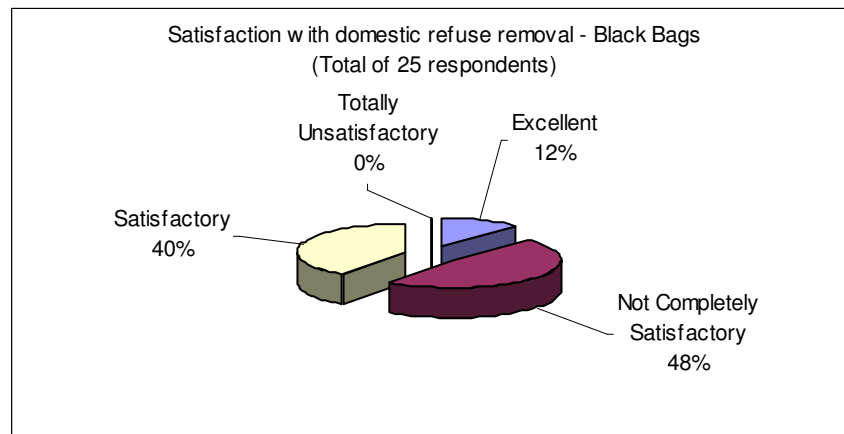
This service is delivered predominantly in the Richards Bay and Empangeni areas once per week. The service satisfaction level as experienced by the 1630 of the 1827 respondents receiving this service is illustrated below.



The most common cause for complaint is the mistreatment of the bins by the refuse collectors. Respondents are also not pleased that when the bins are full additional black bags of rubbish are not removed. Others complain of erratic and sloppy service. Some respondents complained about the rudeness of refuse removal staff ("like they're doing us a favour") and expressed the opinion that only one removal per week is inadequate.

Black bag service

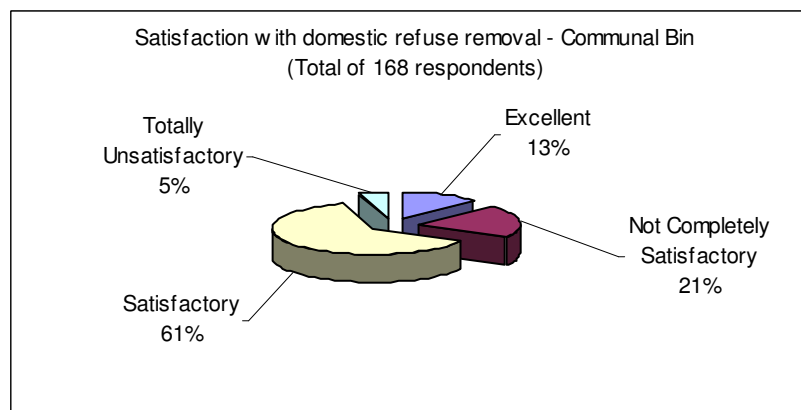
This service is delivered in other Municipal areas once per week. The satisfaction level with this service as experienced by 25 of the 1827 respondents receiving a domestic refuse service is as follows.



Complainants about the Black Bag service are mainly concerned with the fact that collection is not regular and that black bags are not provided.

Communal bin service

This service is delivered in some of the traditional Municipal areas once per week. The satisfaction level with service delivery as experienced by the 168 of the 1827 respondents receiving a domestic refuse service is as follows.



Those respondents who expressed dissatisfaction with the Communal Bin facility consider the bins to be too far away from their houses and of insufficient capacity for the number of households they are allocated to.

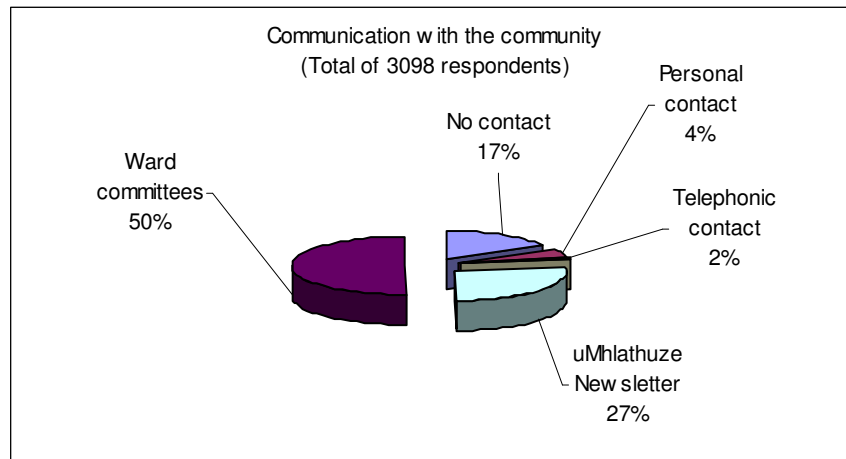
No Service

1271 of the households who participated in the survey receive no domestic refuse removal service. These households are in the traditional areas.

COMMUNICATION WITH THE COMMUNITY

Communication between the City of uMhlathuze and the community is very important for public participation. The public need to be informed regularly on all issues and their inputs and participation must be obtained to make informed decisions for the future.

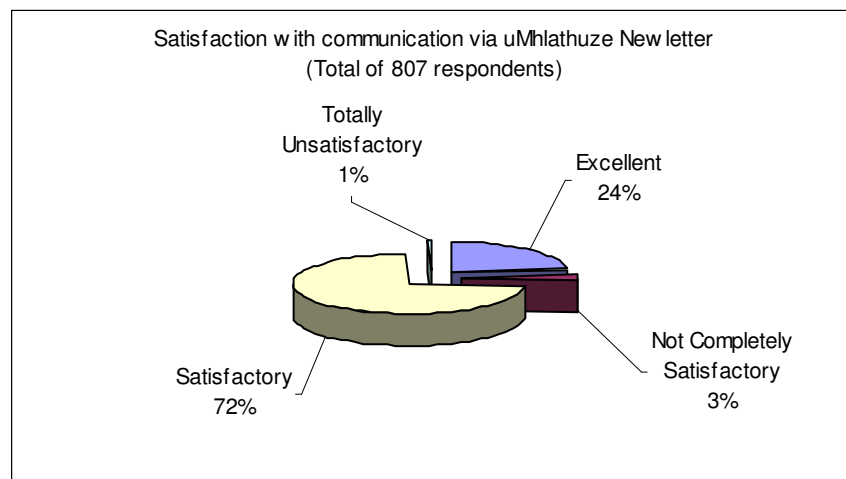
Communication between the Municipality and its inhabitants was classified in the survey as follows: personal contact; telephonic contact; ward committees; the uMhlathuze newsletter; no contact. The following chart illustrates the response distribution per category from the 3098 households which responded to the question.



uMhlathuze newsletter

The newsletter seems to be quite popular and is generally well accepted. Of the 3098 respondents who signaled that they receive communication from the Municipality, 807, receive it via the newsletter. However, 789 of these are from the urban areas, and only 18 are from the traditional areas.

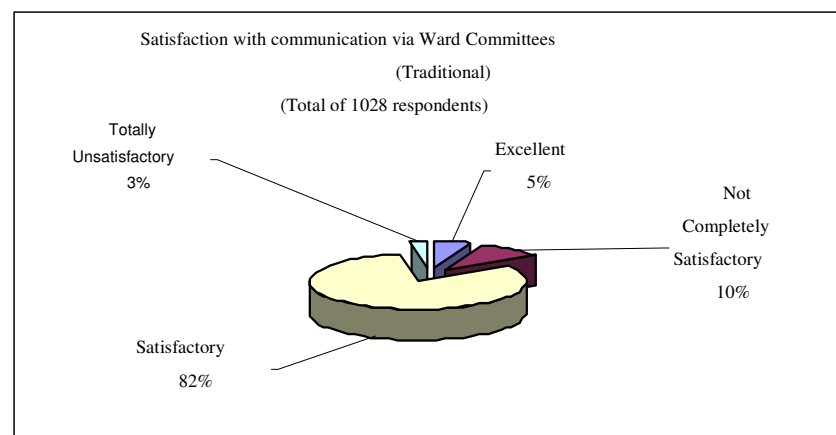
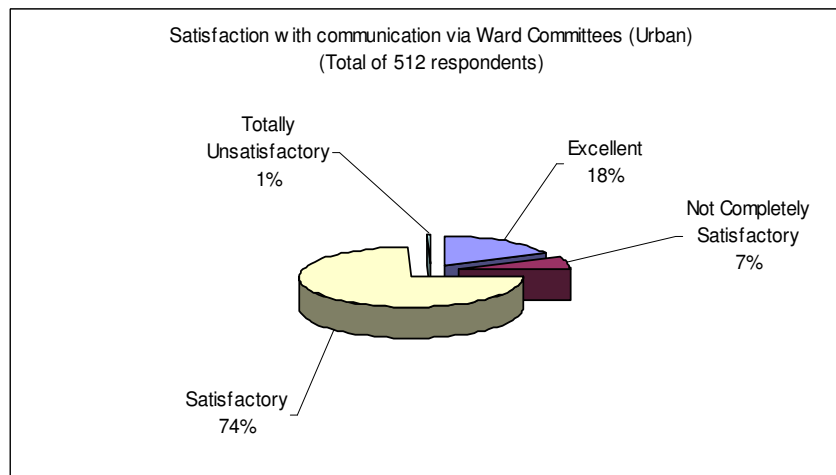
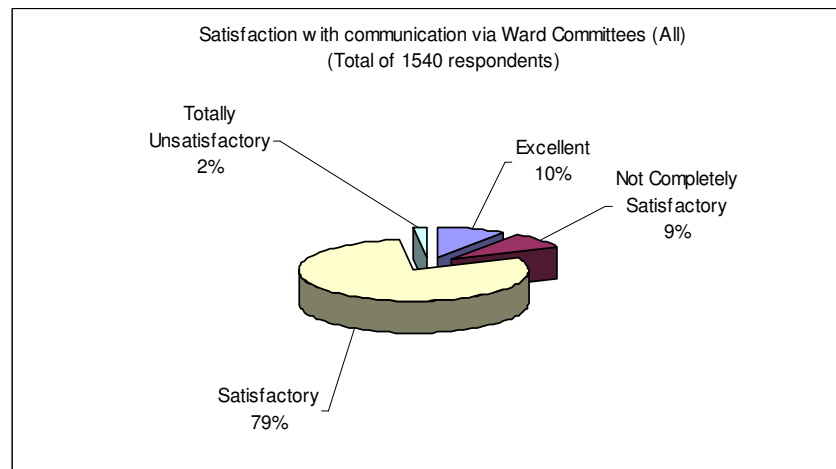
The satisfaction level of the 807 respondents receiving the newsletter in all areas is as follows.



The majority of respondents who receive the uMhlathuze Newsletter are satisfied with it. The few complaints received concern its availability and its accessibility (in terms of language).

Ward committees

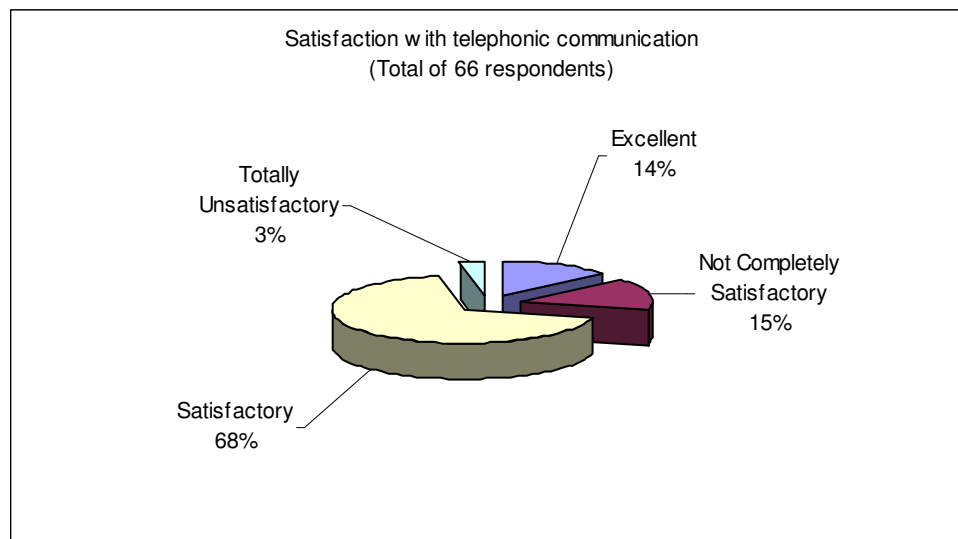
1540 of those who responded to the question on communication receive information from the Municipality via the ward committee system. Of these, 512 live in urban areas and 1028 live in traditional areas. Satisfaction levels with this system are as follows.



Those respondents expressing dissatisfaction with their Ward Committees are in the minority, but concerns voiced include the infrequency of meetings and the fact that they are called at short notice, and the inaccessibility of Councilors.

Telephonic Communication

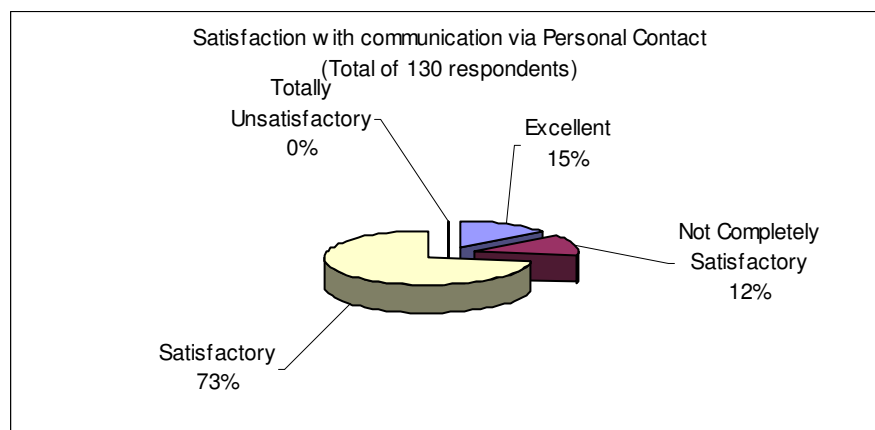
In the survey, 66 of the respondents indicated that they receive communication from the uMhlathuze Municipality telephonically. Of these, 59 live in urban areas and 7 live in traditional areas. Satisfaction levels with this form of communication are recorded below.



Personal Contact

130 respondents cited "personal contact" as the means by which the Municipality keeps in touch with them. Of these, 119 live in urban areas.

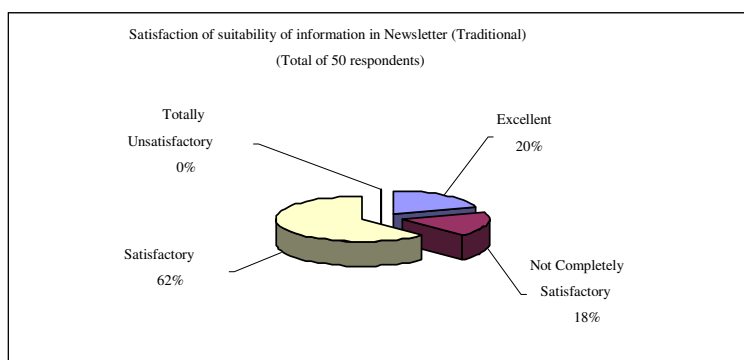
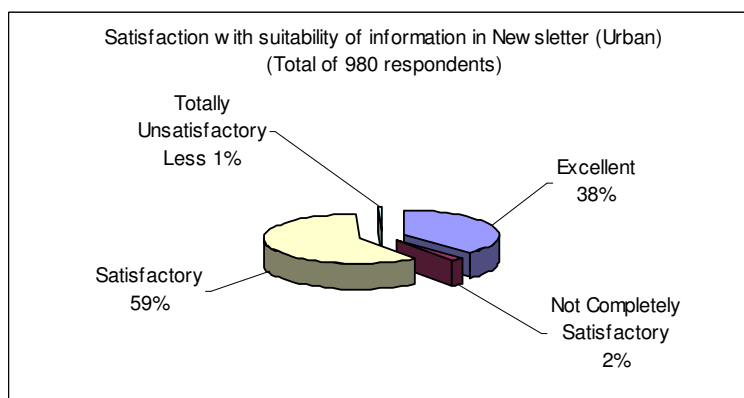
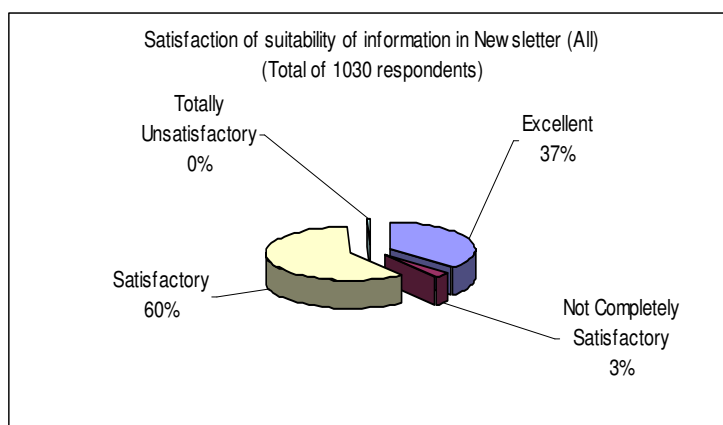
Satisfaction levels with this form of communication are recorded below.



No communication with the Municipality

42 respondents do not have any communication with the Municipality. Of these, 41 respondents are from urban areas and 1 from traditional areas.

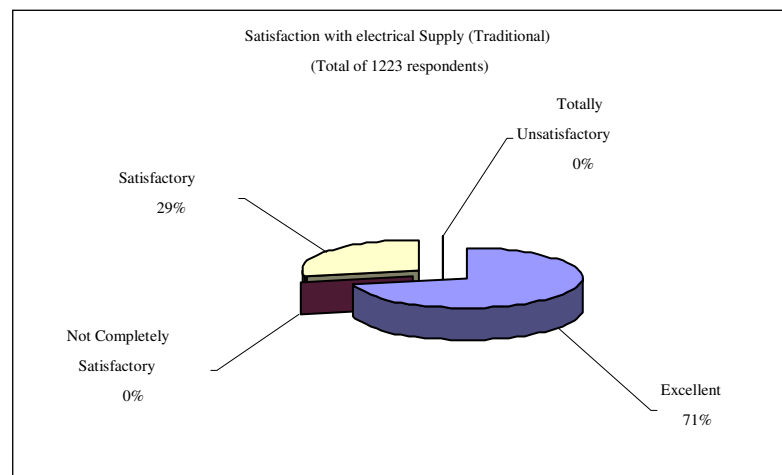
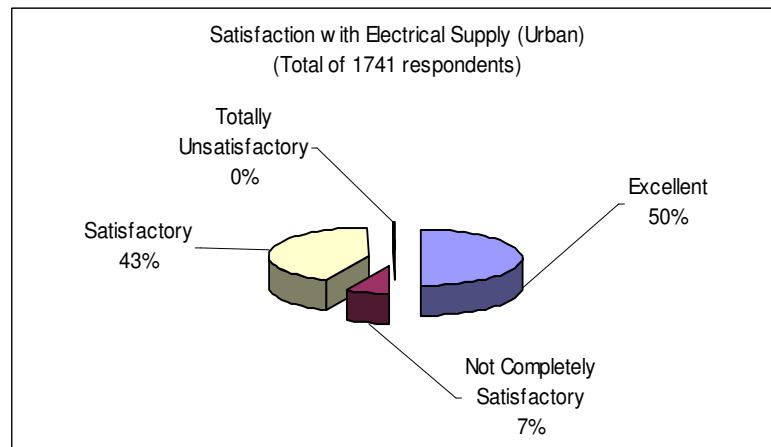
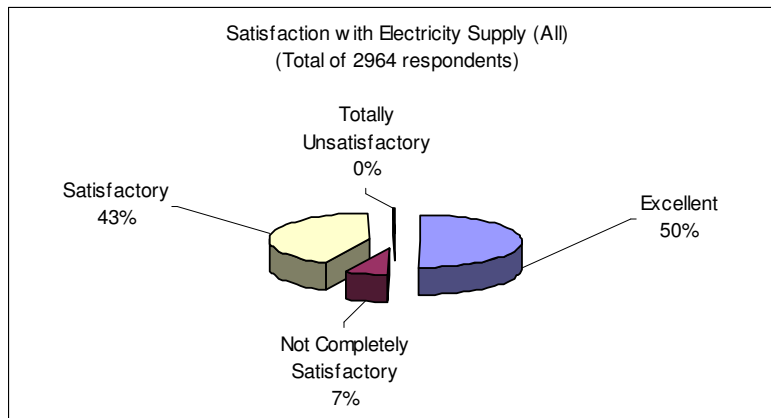
Suitability of information in the Newsletter



Those respondents in the traditional areas who expressed dissatisfaction with the Newsletter questioned its relevance for rural areas.

ELECTRICITY SUPPLY

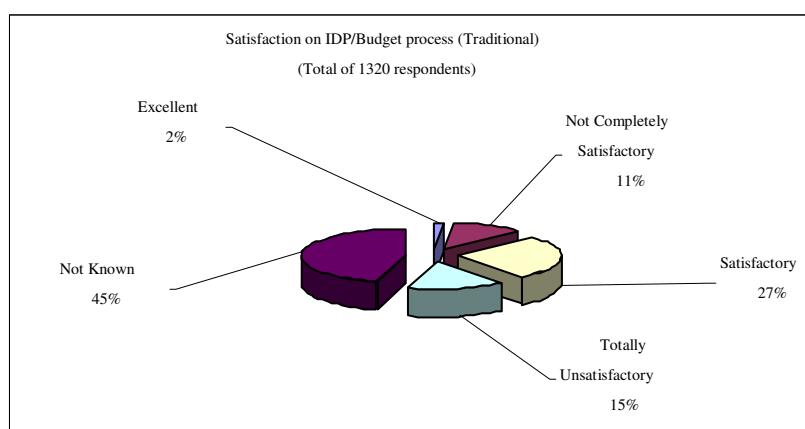
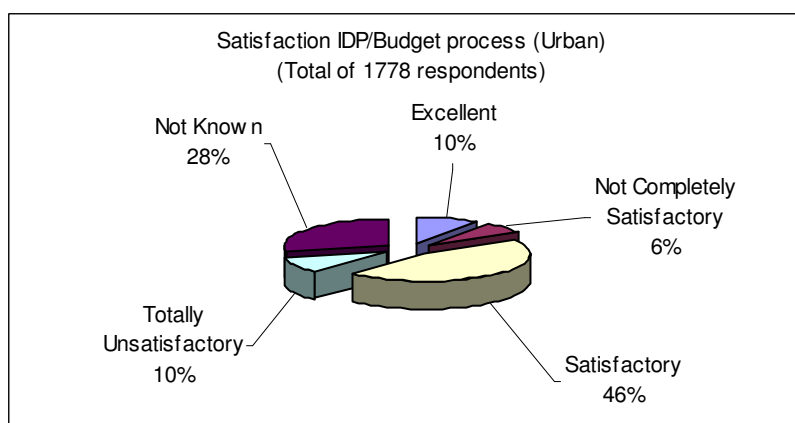
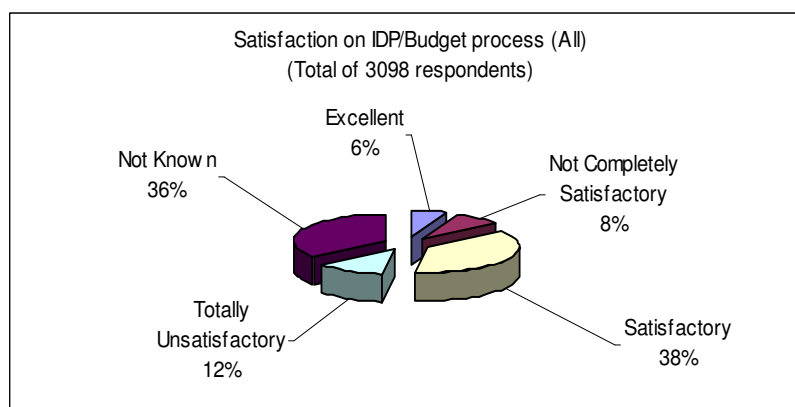
Of the 3098 households surveyed, 2964 reported having electricity. (1741 of these were in the urban areas and 1223 in the traditional areas). Customer satisfaction with the quality of their Municipal electricity supply is recorded in the three charts below: A total of 1246 respondents receive their power from Eskom.



By and large, there were few complaints expressed about the supply electricity. Complaints voiced concerned cost, fluctuations in voltage, and the fact that power was cut without notice.

IDP / Budget Process

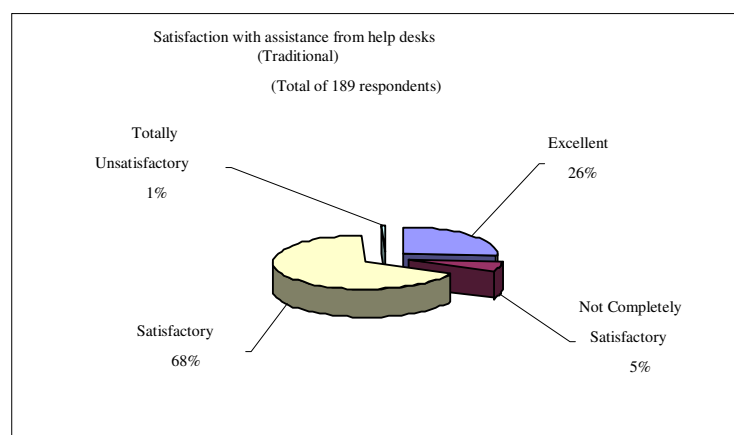
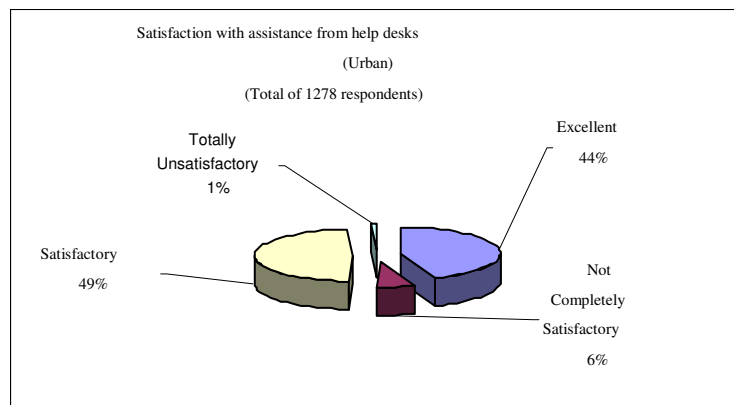
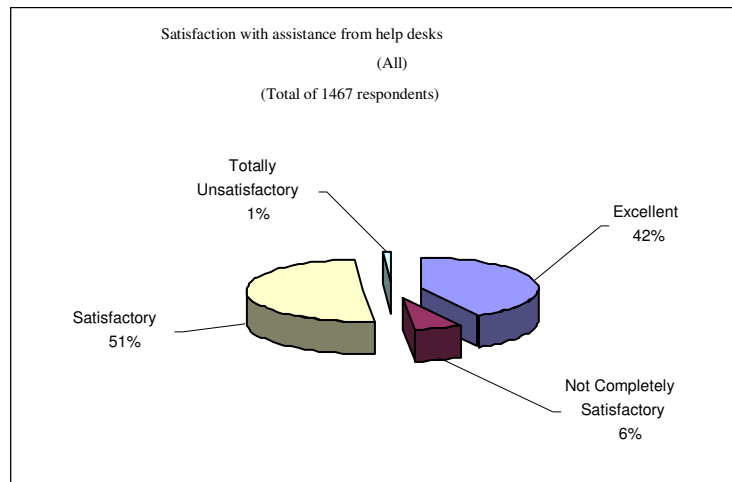
:



As the charts above show, a significant number of respondents, particularly in the traditional areas, are not aware of the IDP/budget process. Those who are aware, but who expressed dissatisfaction with the process cited 'empty promises', a lack of action, no visible change, and no consultation on the budget.

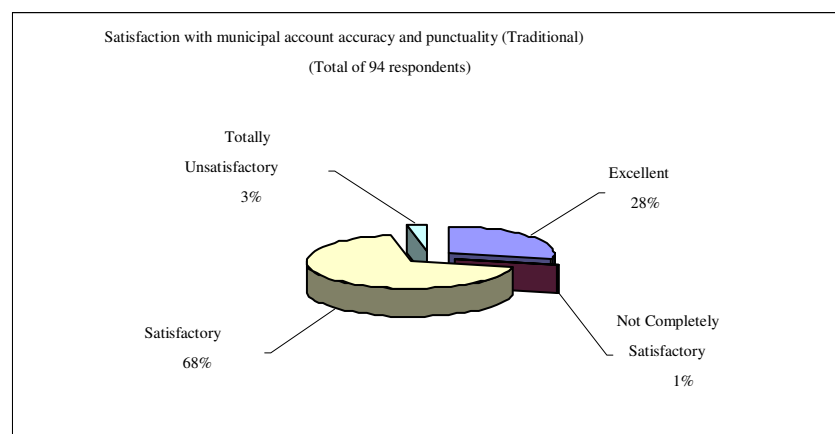
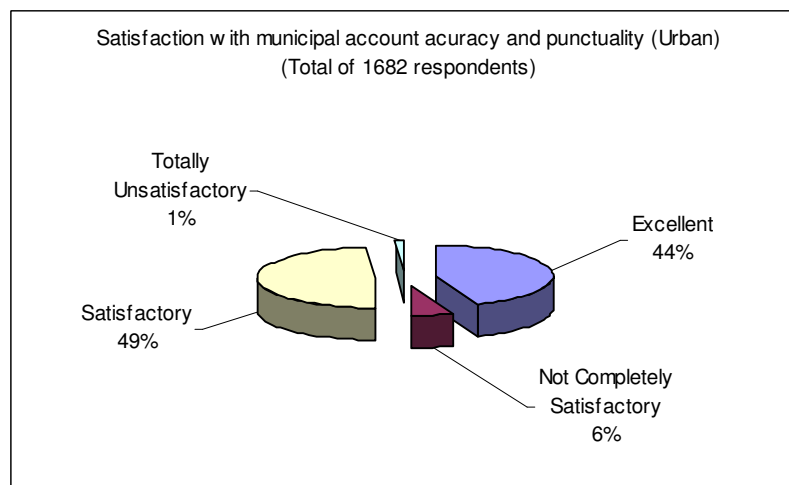
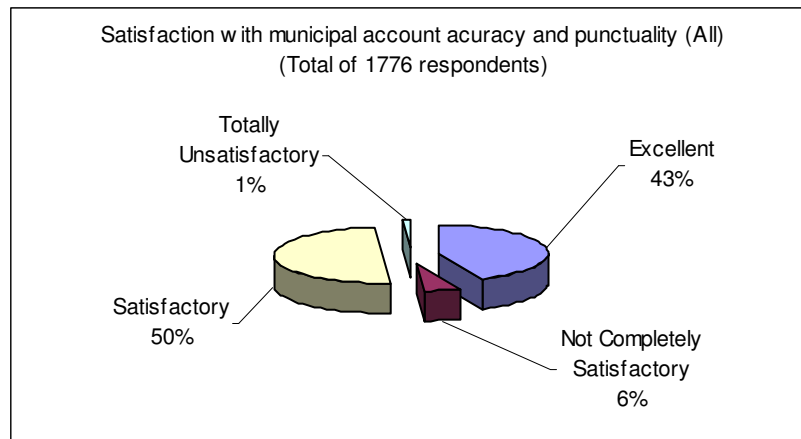
MUNICIPAL ASSISTANCE FROM HELP DESKS

A Total of 1467 made use of Municipal Help Desk facilities. Of these, 1278 are urban dwellers. Satisfaction levels with regard to the Help Desks are recorded in the charts below:



A relatively small number of respondents expressed dissatisfaction with the assistance rendered by the Municipality's Help Desks. Some respondents were dissatisfied with the attitude of Help Desk staff, finding them 'rude', 'impatient', 'not helpful', 'not customer-focused', and 'slow'. Other respondents expressed the desire for a weekend service. Some respondents objected to the voice prompts on the automatic answering service.

MUNICIPAL ACCOUNT ACCURACY



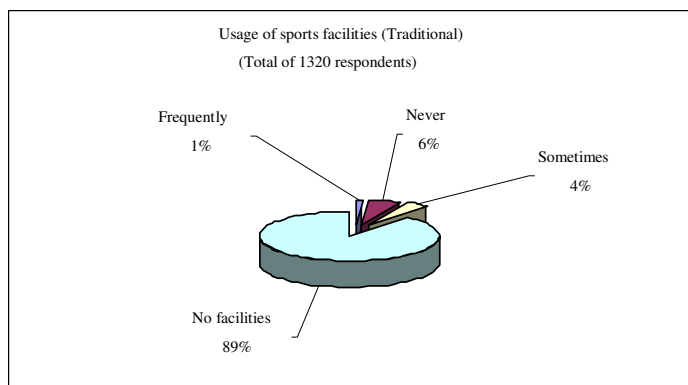
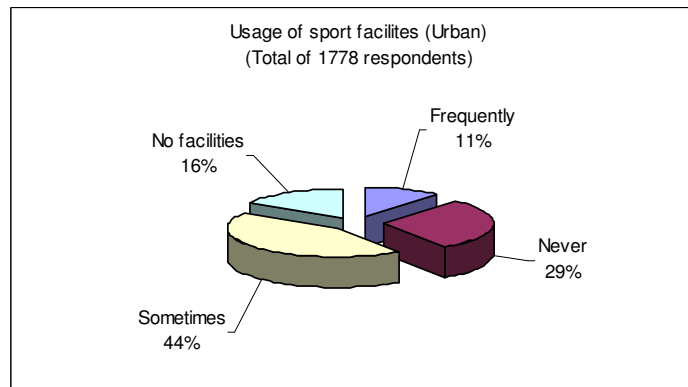
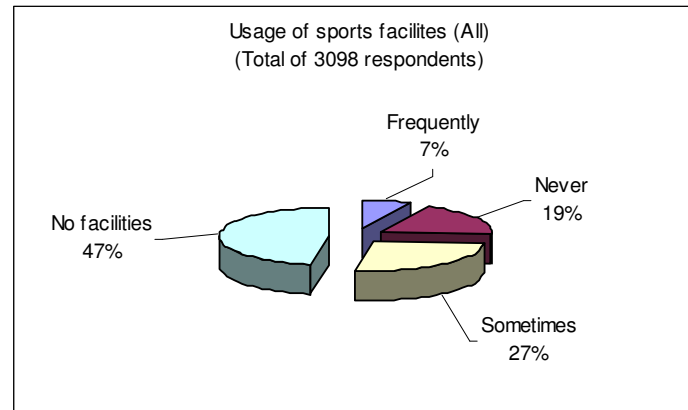
The majority of respondents expressed themselves as satisfied with the accuracy and punctuality of their Municipal accounts. Causes of dissatisfaction were: seeming fluctuations in amounts and rates, and accounts and statements not delivered on time.

SPORTS FACILITIES

The following charts illustrate levels of respondent satisfaction with the availability and quality of Municipal sports facilities, and usage thereof.

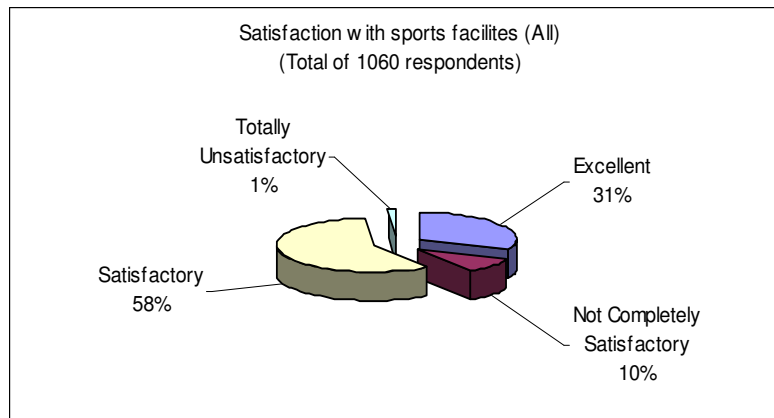
1459 of respondents indicated that there are no sports facilities in their area. Of these responses, 1173 were from the traditional areas.

Usage of sports facilities

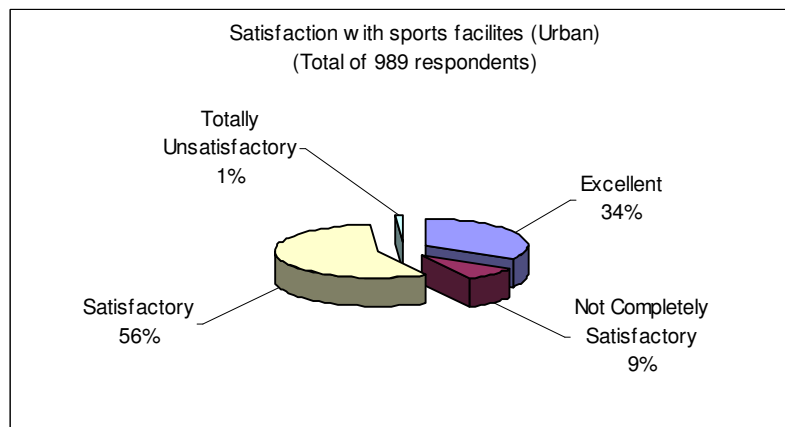


Satisfaction with sport facilities

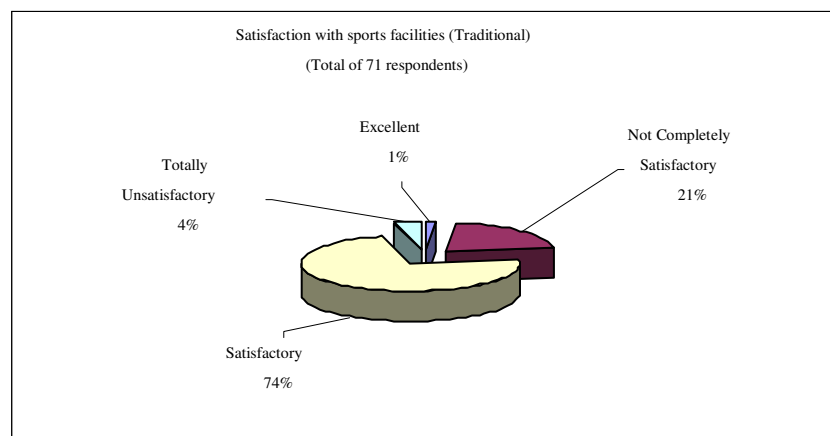
There were 1060 responses regarding the quality of sporting facilities. (2038 respondents did not offer comment, either because there are no facilities, or they do not use them).



The following figure illustrates satisfaction levels among the 989 respondents in urban areas. (789 respondents did not offer comment, either because there are no facilities, or they do not use them).



The following figure illustrates the satisfaction level among the 71 respondents in the traditional areas. (1249 respondents did not offer comment, either because there are no facilities, or they do not use them).

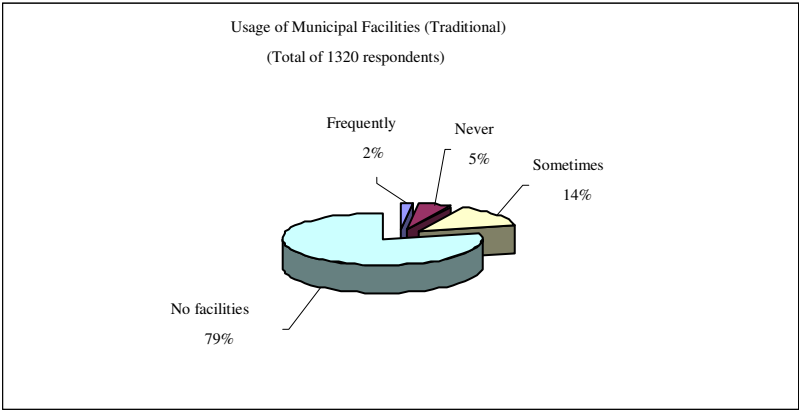
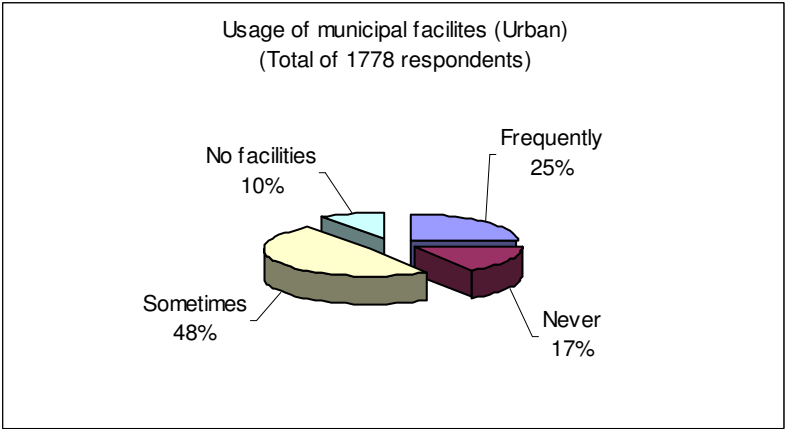
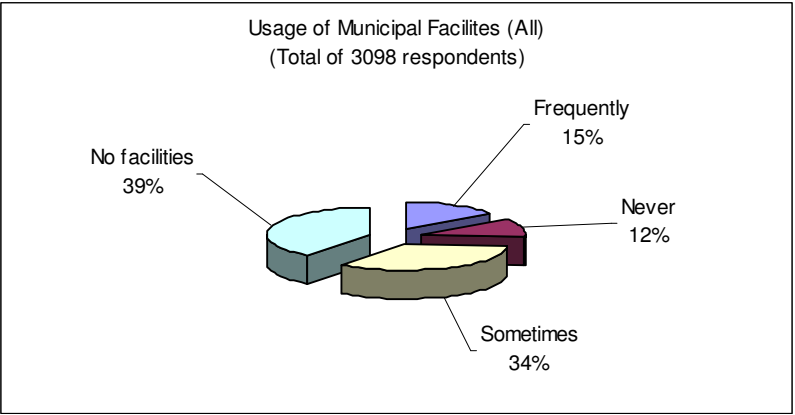


There is still clearly a disparity in the sports facilities available in urban as opposed to traditional areas, where such facilities are often either rudimentary or non-existent. Feedback from urban respondents lists the following causes of dissatisfaction with sports facilities: poor general maintenance (including

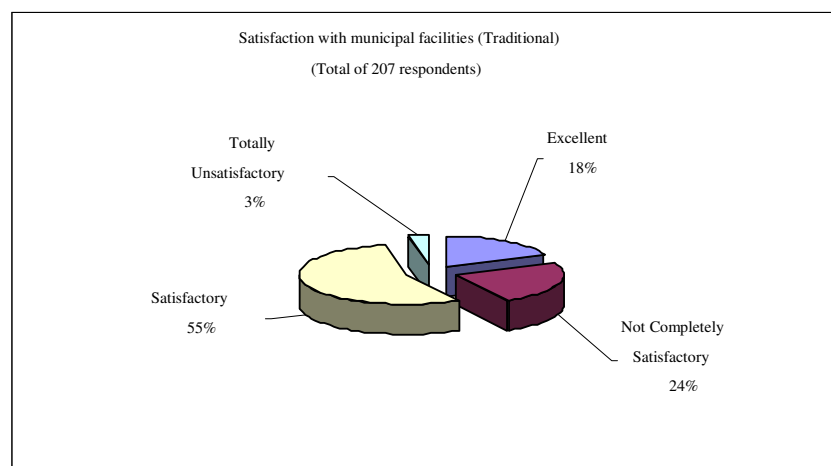
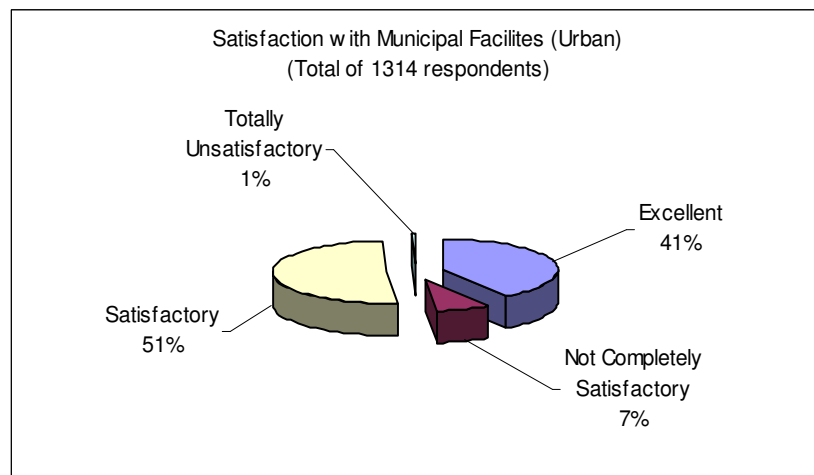
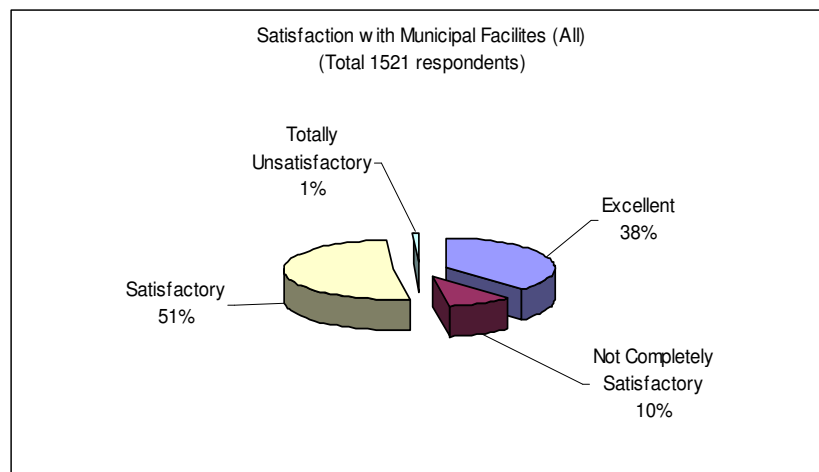
dirty or broken toilets); lack of lights, changing rooms and scoreboards; no accommodation of sports other than soccer, such as volleyball, basketball, netball or tennis.

Community facilities

Usage of facilities



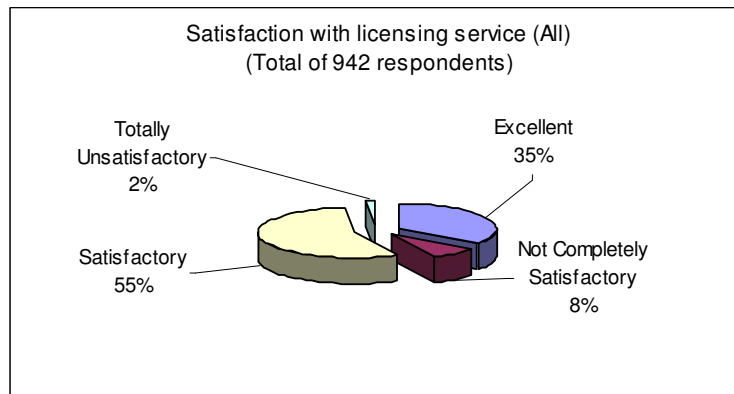
Satisfaction with Municipal facilities



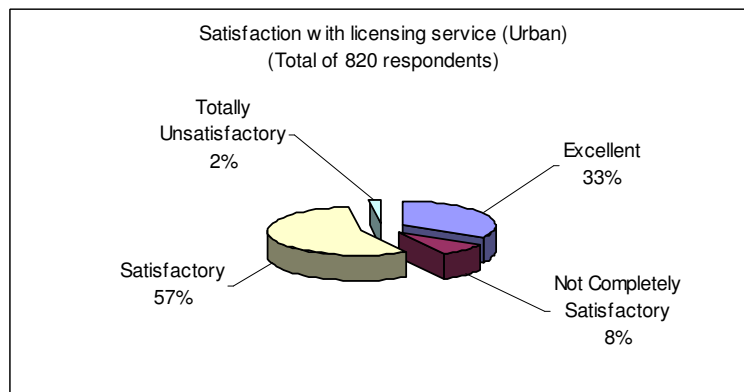
A similar picture emerges with community facilities, with urban respondents faring better than traditional. Common complaints include: poor maintenance; too small, (particularly libraries in terms of up-to-date books and other information resources); too far away.

VEHICLE LICENSING SERVICE

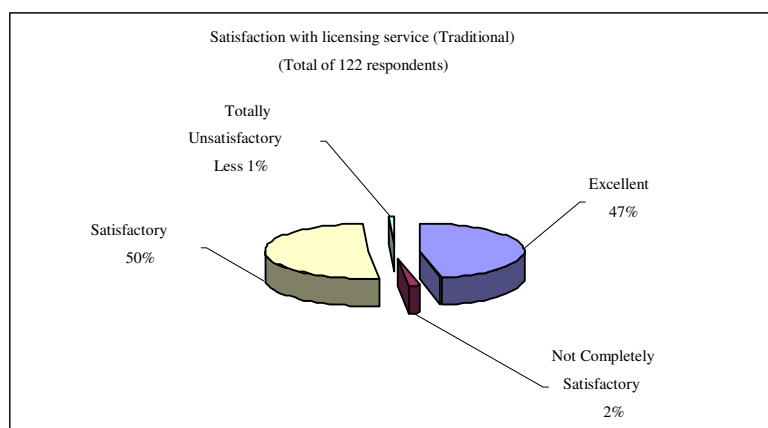
942 respondents indicated that they had made use of the Municipality's vehicle licensing service. (2156 respondents indicated that they did not make use of the Municipality's vehicle licensing service). Their levels of satisfaction with the service are indicated in the following figure.



The following figure illustrates the satisfaction level among the 820 respondents from the urban areas. (958 respondents did not make use of this service).



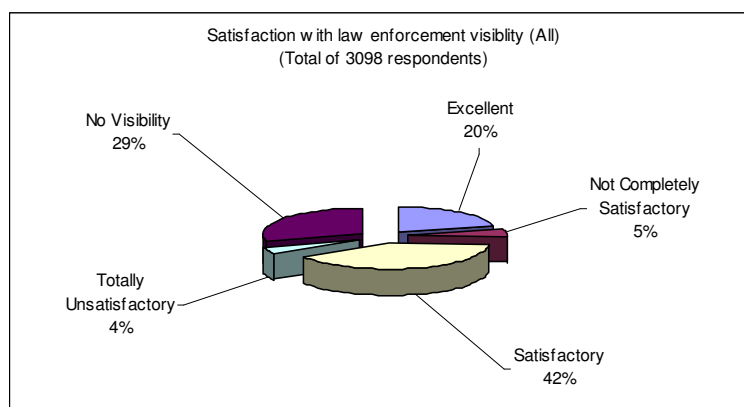
The following figure illustrates the satisfaction level among the 122 respondents from the traditional areas. (1198 respondents did not make use of this service).



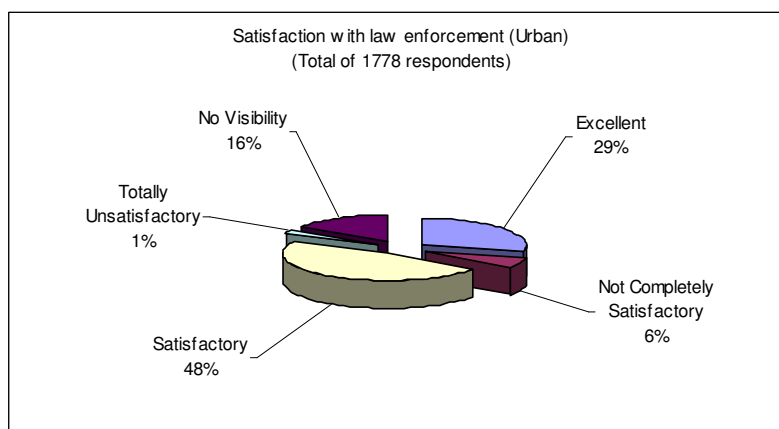
Respondents were largely satisfied with the Licensing service. The relatively few complaints received centered around queues being too long, the facility closing too early, and staff being 'disrespectful'.

LAW ENFORCEMENT VISIBILITY

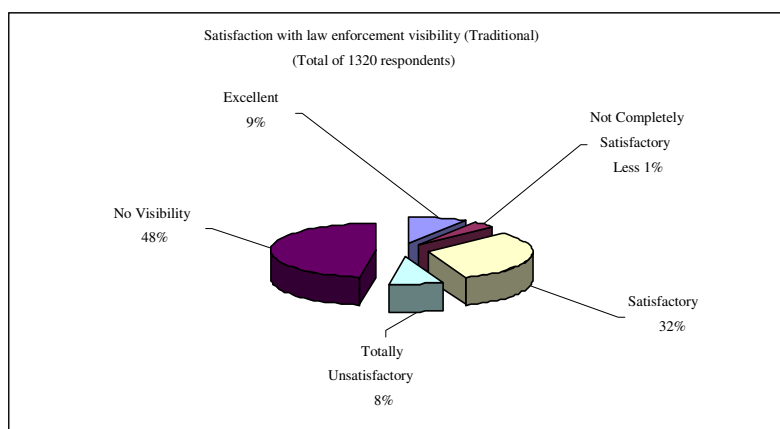
The following figure illustrates the response received from 3098 respondents from all areas expressing their satisfaction level with regard to the visibility of the Municipality's law enforcement service.



The following figure illustrates the satisfaction level among the 1778 respondents of the total above living in the urban areas.



The following figure illustrates the satisfaction level among the 1320 respondents of the total above living in the traditional areas



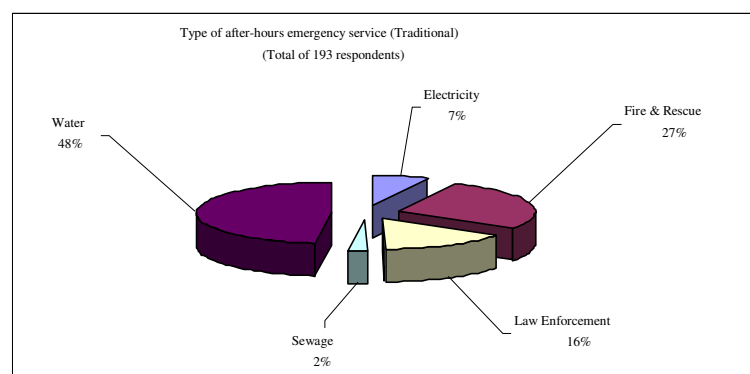
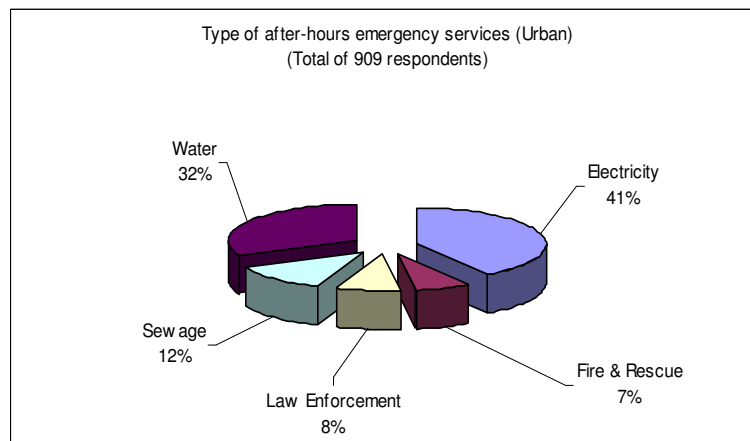
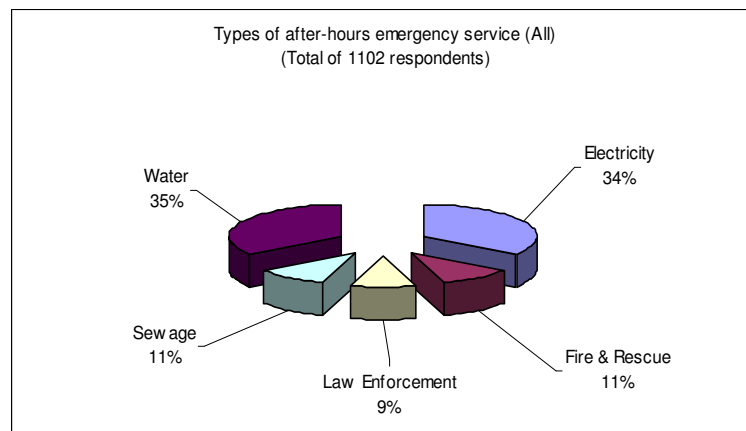
The question of Traffic Law Enforcement attracted its customary share of trenchant criticism, with the most common complaint being that it is rarely seen, if at all, and then mainly at night and on main roads only. Respondents asked why traffic police are not present at schools and high-accident robots and intersections. Other vociferous criticism spoke of rudeness, laziness, aggressiveness and susceptibility to being bribed.

AFTER-HOURS EMERGENCY SERVICES

1102 respondents indicated that they had called upon the Municipality's after-hours emergency services in the past 12 months (1996 respondents did not make use of this service).909 of the responses were received from the urban areas, and 193 from the traditional areas.

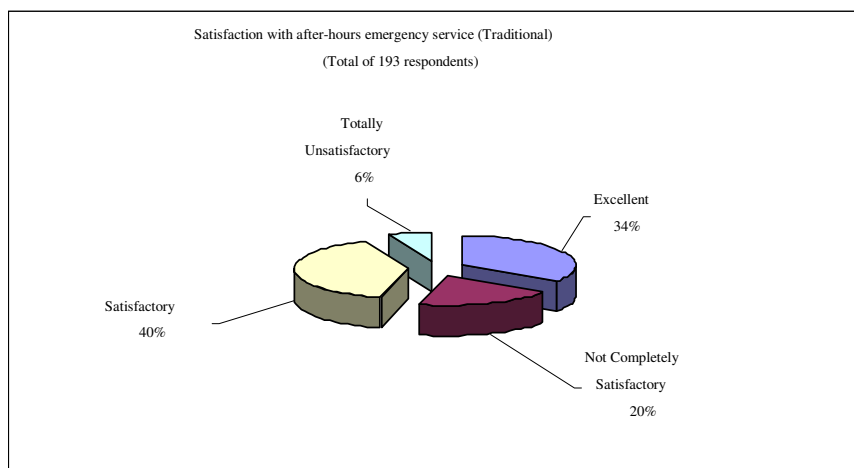
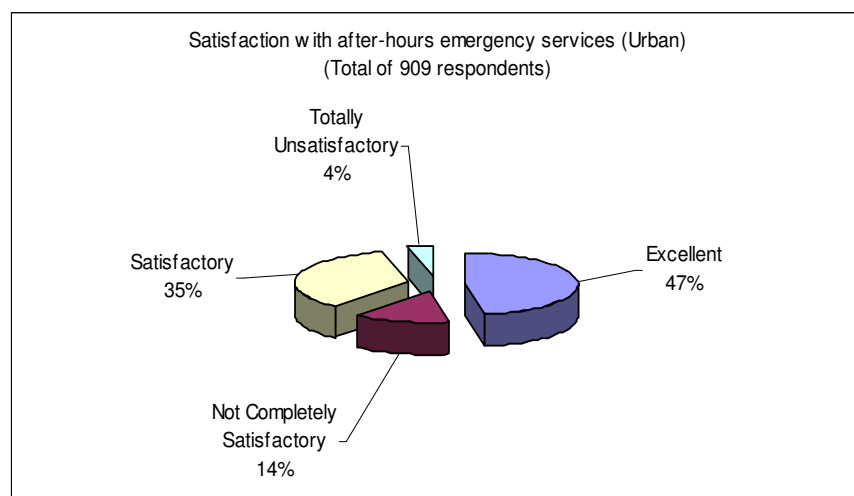
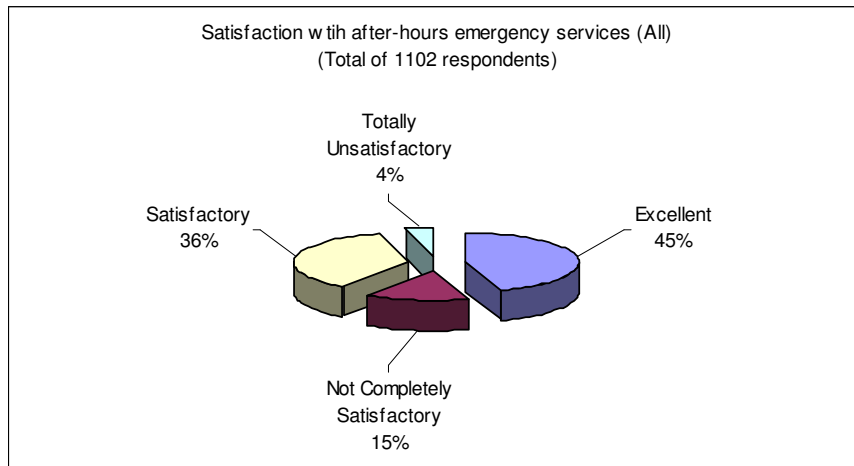
It should be noted that the vast majority, if not all, of the responses with reference to use of after-hours emergency services refer to the SAPS rather than to the Municipality's law enforcement.

The following figures illustrate the type of after-hours emergency services called upon.



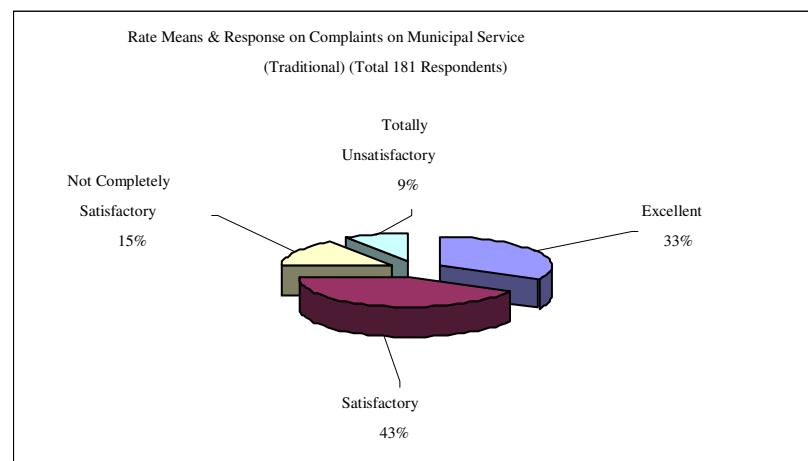
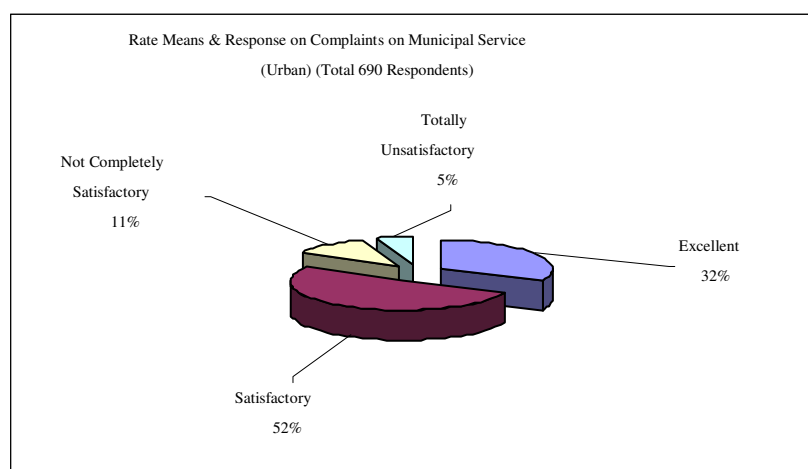
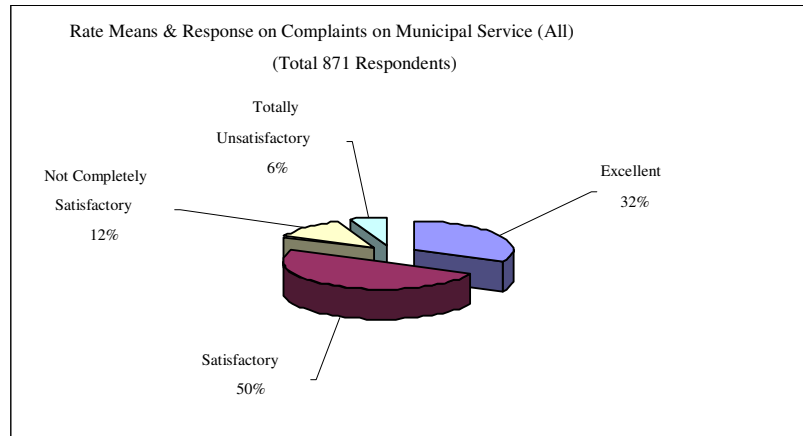
Satisfaction with after-hours emergency services

The following figures illustrate the satisfaction level of all responses received, urban and traditional.



A majority of respondents were satisfied with the Municipality's after-hours emergency service. Those who were not satisfied most commonly cited the following reasons: no response to telephone calls; late or non-arrival of service personnel.

Means and response on dealing with complaints on Municipal services



The majority of those respondents who made use of the complaints facility were satisfied with the quality of the service. Those who were not satisfied spoke of the difficulty of making contact and the slow response time.

CONCLUSION

The survey confirms that in the more developed areas of the Municipality people are, by and large, satisfied with the services they receive. In the less well developed urban areas, levels of satisfaction drop. Dissatisfaction is greatest in the traditional areas.



CHAPTER 3

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

HUMAN RESOURCE AND OTHER ORGANISATIONAL MANAGEMENT

Functions and Structures of the City of uMhlathuze

The City of uMhlathuze is a category B municipality as described in Section 155(1)(b) of the Constitution of the Republic of South Africa. The functions of the municipality are as described in Section 156 of the Constitution.

The functional structures consist of the City Manager with 5 departments whose heads report directly to the City Manager.

Department of Financial Services- is headed by the Senior Manager Financial Services and is responsible for

- Financial planning and budgeting
- Expenditure and related liabilities
- Income and related credit management
- Financial reporting

Department of City Development- - In line with the realignment of services to ensure effective and efficient delivery to the public, the former Departments of Planning and Sustainable Development and Community Facilitation and Marketing were amalgamated to form one department under the management and control of the Senior Manager City Development and who is responsible for:

- Land use Management
- Human Settlement
- Communications
- Property Administration
- Local Economic Development
- Development Administration
- Strategic Development, Environment Planning and IDP

Department of Infrastructure and Technical Services- In line with the realignment of services to ensure effective and efficient delivery to the public, the former departments of the City Engineer and City Electrical Engineer were amalgamated to form one department under the management and control of the Senior Manager and who is responsible for:

Engineering

- Water Services Authority
- Water Services Provider
- Project Management
- Roads and storm water
- Buildings and structure
- Support services

Electrical Engineering

- Operations and Maintenance
- Planning, Development and Technical Services
- Marketing, Customer Services and Revenue Protection
- Support Services

Department of Community Services- In line with the realignment of services to ensure effective and efficient delivery to the public, the former departments of the Parks, Sport and Recreation and Department of Community Services and Health were amalgamated to form

one department under the management and control of the Senior Manager and who is responsible for

- Recreational and Environmental Services
- Clinic Services
- Traffic and Licencing
- Fire and Rescue
- Waste Management Services
- Environmental health
- Museum
- Library and Hall Bookings

Department of Corporate Services- In line with the realignment of services to ensure effective and efficient delivery to the public, the former departments of Corporate Services and the Department of Management Services were amalgamated to form one department under the management and control of the Senior Manager Corporate Services and who is responsible for

- Diverse Administration
- Secretariat
- Councillor Support
- Legal Services
- Human Resources

EQUITABLE REPRESENTATION

A table reflecting the eventual equitable representation for local population in respect of the Employment Equity Plan for the City of uMhlathuze as well as the numeric goals as per Council's current approved staff establishment is set out below.

EVENTUAL EQUITABLE REPRESENTATION FOR LOCAL POPULATION AND NUMERIC GOALS PLANNED TO BE ACHIEVED BY 2009

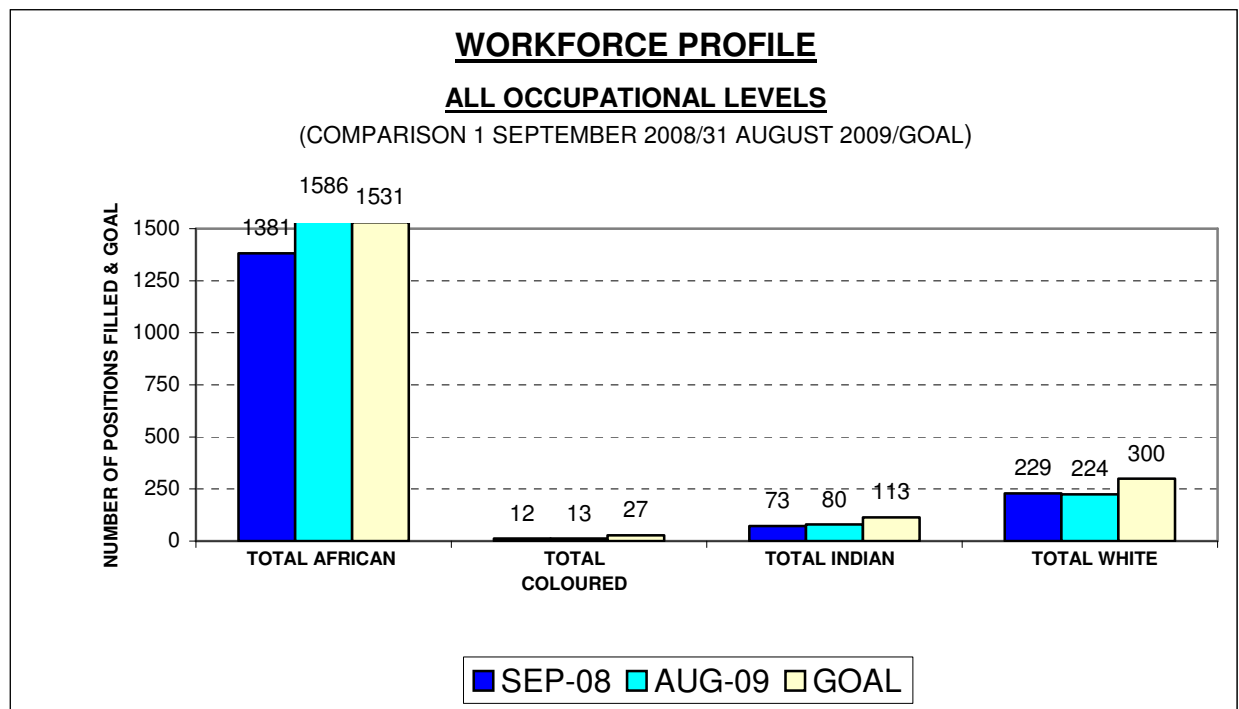
| OCCUPATIONAL LEVELS | VACANT POSTS | DESIGNATED | | | | | | | | | | | | | | NON-DESIGNATED | | | | TOTAL POSITIONS FILLED | TOTAL POSITIONS PER LEVEL | | |
|--|--------------|------------|----------|----------|----------|--------|----------|---------|----------|----------|----------|--------|----------|----------|----------|----------------|--------|-------------------|----------|------------------------|---------------------------|-------|--------|
| | | MALE | | | | | | FEMALE | | | | | | DISABLED | | WHITE MALE | | FOREIGN NATIONALS | | | | | |
| | | AFRICAN | | COLOURED | | INDIAN | | AFRICAN | | COLOURED | | INDIAN | | | | | | | | | | WHITE | |
| | | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | CUR | NUM GOAL | MALE | FEMALE | CUR | NUM GOAL | | | MALE | FEMALE |
| TOP MANAGEMENT (21 - 23) | 5 | 4 | 4 | 0 | 1 | 1 | 1 | 1 | 3 | 0 | 0 | 0 | 1 | 0 | 2 | 0 | 0 | 4 | 3 | 0 | 0 | 10 | 15 |
| SENIOR MANAGEMENT (15 - 19) | 17 | 25 | 26 | 1 | 1 | 3 | 6 | 10 | 21 | 0 | 0 | 1 | 5 | 9 | 11 | 0 | 0 | 22 | 18 | 0 | 0 | 71 | 88 |
| MIDDLE MANAGEMENT, PROF QUALIFIED AND EXP SPECIALISTS (11-14) | 22 | 46 | 49 | 0 | 3 | 6 | 7 | 36 | 50 | 1 | 1 | 8 | 6 | 17 | 26 | 0 | 0 | 30 | 24 | 0 | 0 | 144 | 166 |
| JUNIOR MANAGEMENT, SUPERVISORS, FORMAN, SUPERINTENDANTS, SKILLED TECHS AND ACADEMIC QUALIFIED WORKERS (5-10) | 107 | 359 | 368 | 3 | 10 | 27 | 40 | 164 | 218 | 7 | 5 | 27 | 25 | 62 | 59 | 1 | 0 | 66 | 98 | 0 | 0 | 716 | 823 |
| SEMI-SKILLED AND DISCRETIONARY DECISION MAKING (4) | 78 | 507 | 404 | 0 | 4 | 2 | 14 | 270 | 388 | 1 | 2 | 5 | 8 | 4 | 23 | 0 | 0 | 12 | 36 | 0 | 0 | 801 | 879 |
| TOTAL PERMANENT EMPLOYEES | 229 | 941 | 951 | 4 | 19 | 39 | 68 | 481 | 680 | 9 | 8 | 41 | 45 | 92 | 121 | 1 | 0 | 134 | 179 | 0 | 0 | 1742 | 1971 |
| TEMPORARY EMPLOYEES | 0 | 58 | 0 | 1 | 0 | 4 | 0 | 75 | 0 | 2 | 0 | 13 | 0 | 13 | 0 | 0 | 0 | 11 | 0 | 0 | 0 | 177 | 0 |
| GRAND TOTAL | 229 | 999 | 951 | 5 | 19 | 43 | 68 | 556 | 680 | 11 | 8 | 54 | 44 | 105 | 121 | 1 | 0 | 145 | 179 | 0 | 0 | 1919 | 1971 |

Progress made towards achieving our numerical goals since June 2003 is as follows:

- Africans increased from 1194 to 1422 – gap of +109 to achieve goal of 1531

- Coloureds increased from 7 to 13 – gap of +14 to achieve goal of 27
- Indians increased from 46 to 80 – gap of +33 to achieve goal of 113
- Whites decreased from 353 to 224 – gap of +74 to achieve goal of 300

Below is a graph reflecting a comparison of the total workforce profile per race between September 2008 and August 2009 and the numerical goals.

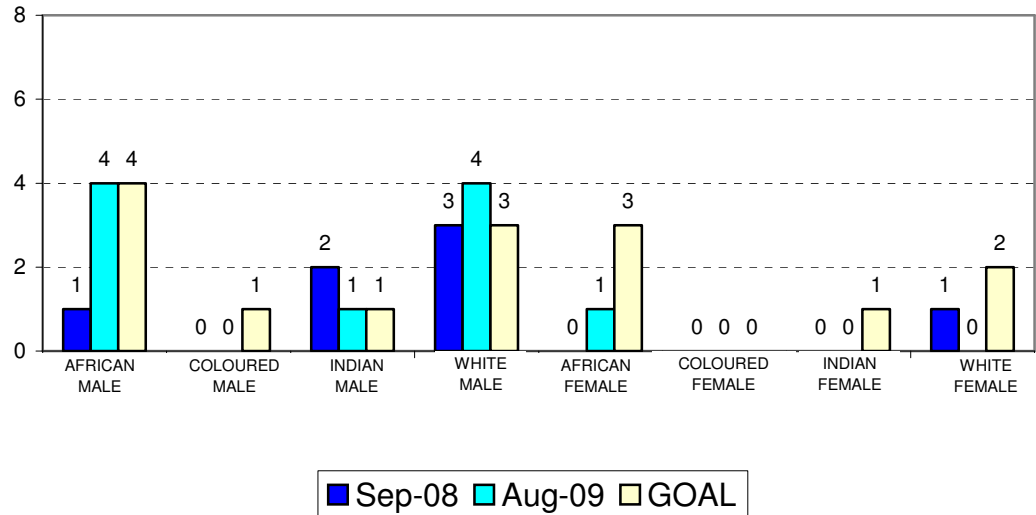


Below are graphs reflecting a comparison of the total workforce profile according to the **occupational level** per race and gender between September 2007 and August 2008 and the current numerical goals.

WORKFORCE PROFILE

TOP MANAGEMENT

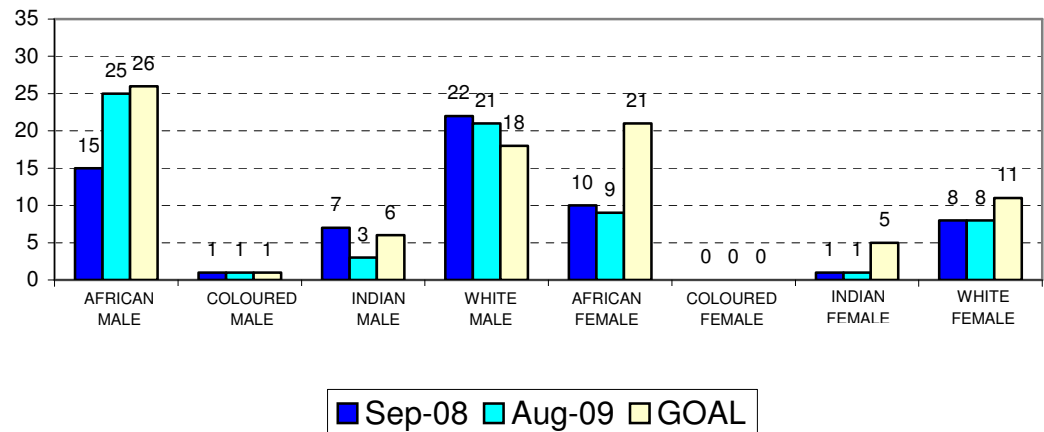
(COMPARISON 1 SEPTEMBER 2008/31 AUGUST 2009/GOAL)



WORKFORCE PROFILE

SENIOR MANAGEMENT

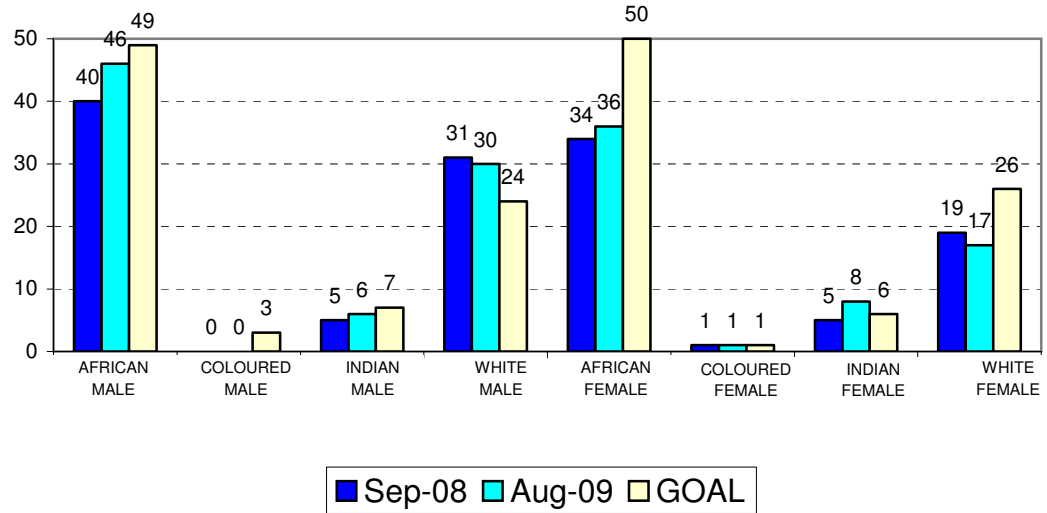
(COMPARISON 1 SEPTEMBER 2008/31 AUGUST 2009/GOAL)



WORKFORCE PROFILE

MIDDLE MANAGEMENT, PROF QUALIFIED & EXP SPECIALIST

(COMPARISON 1 SEPTEMBER 2008/31 AUGUST 2009/GOAL)

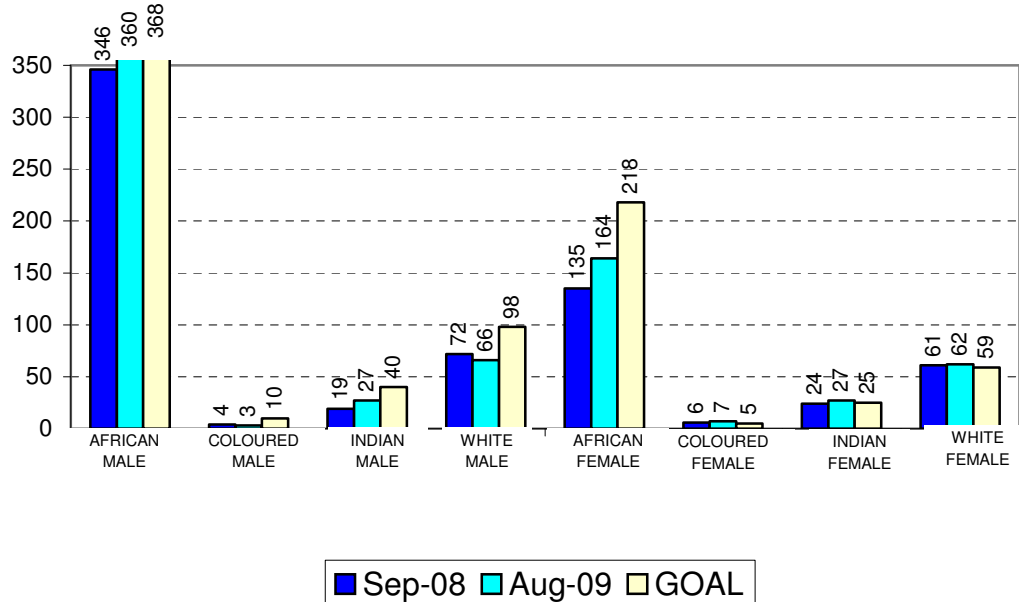


WORKFORCE PROFILE

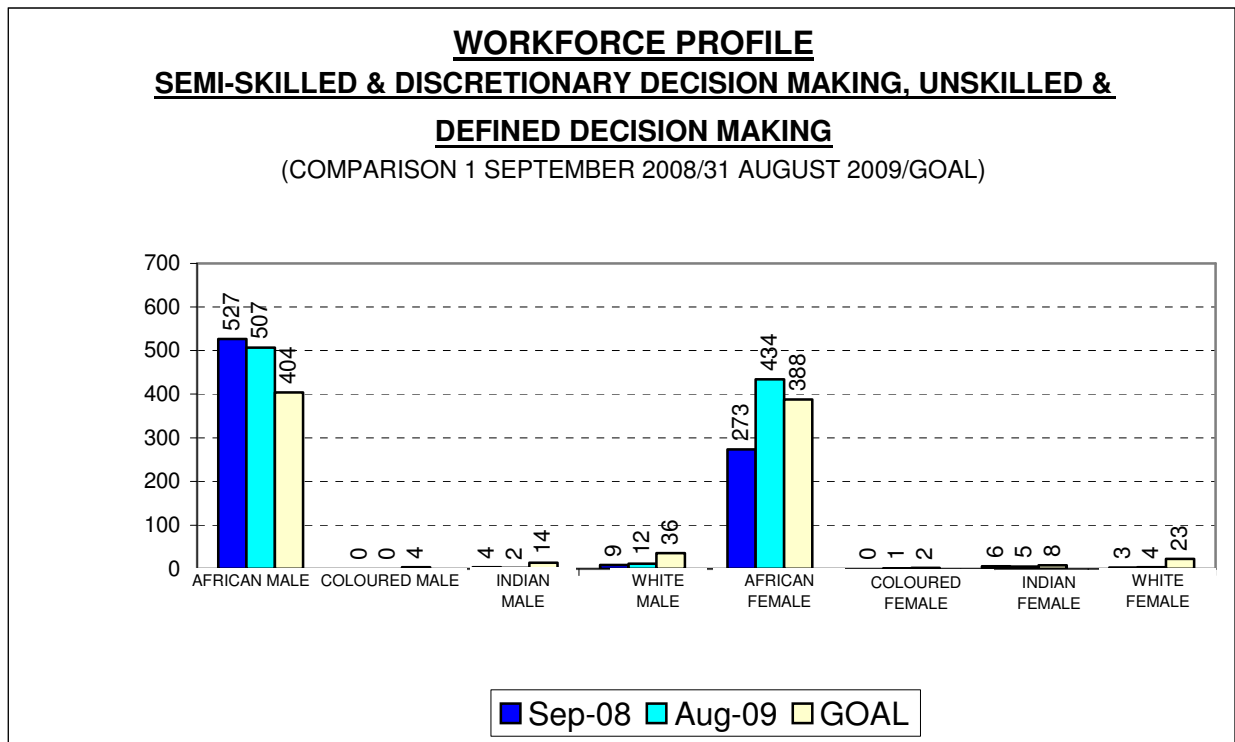
JUNIOR MANAGEMENT, SUPERVISORS, F/MEN, SUPTS, SKILLED TECH

& ACADEMIC QUALIFIED WORKERS

(COMPARISON 1 SEPTEMBER 2008/31 AUGUST 2009/GOAL)

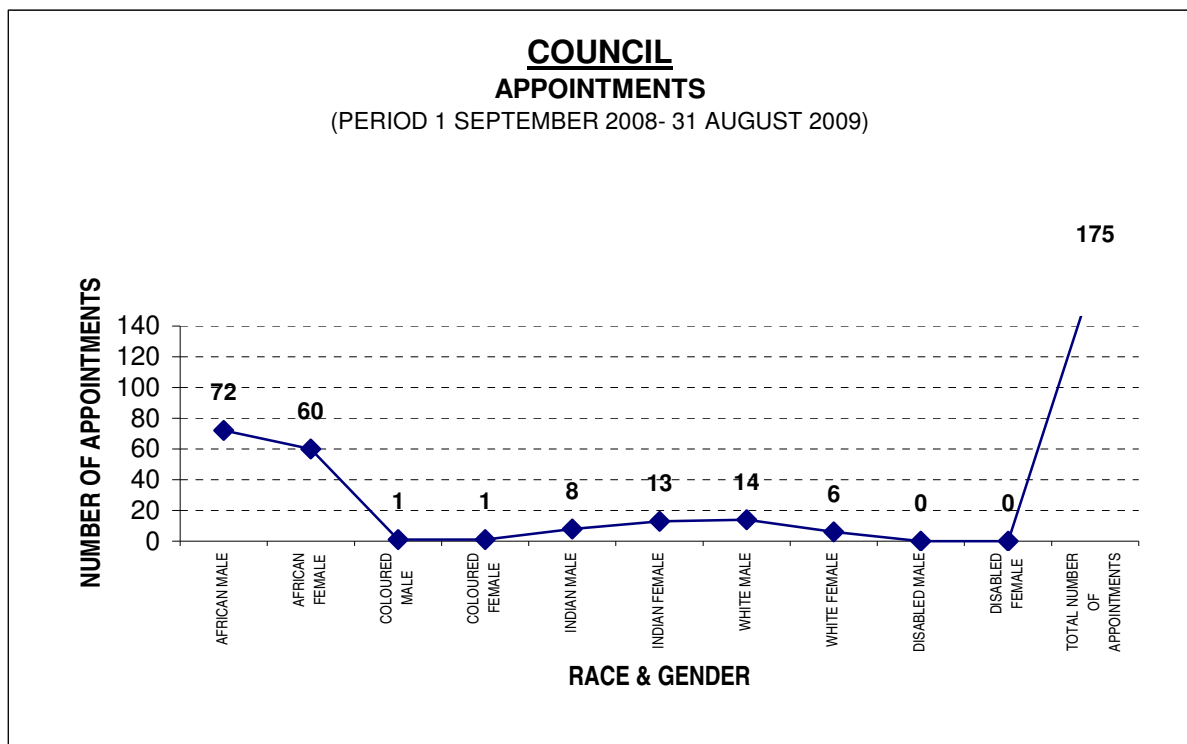


One must also keep in mind that the number of terminations (retirement, ill-health, resignation, dismissal, abscondment) affects the achievement of the numerical goals.



APPOINTMENTS (Period 1 September 2008 – 31 August 2009)

During the said 12-month period, 175 permanent employees were appointed of which 132 are African, 2 are Coloured, 21 are Indian and 20 are White.



BREAKDOWN PER RACE AND GENDER

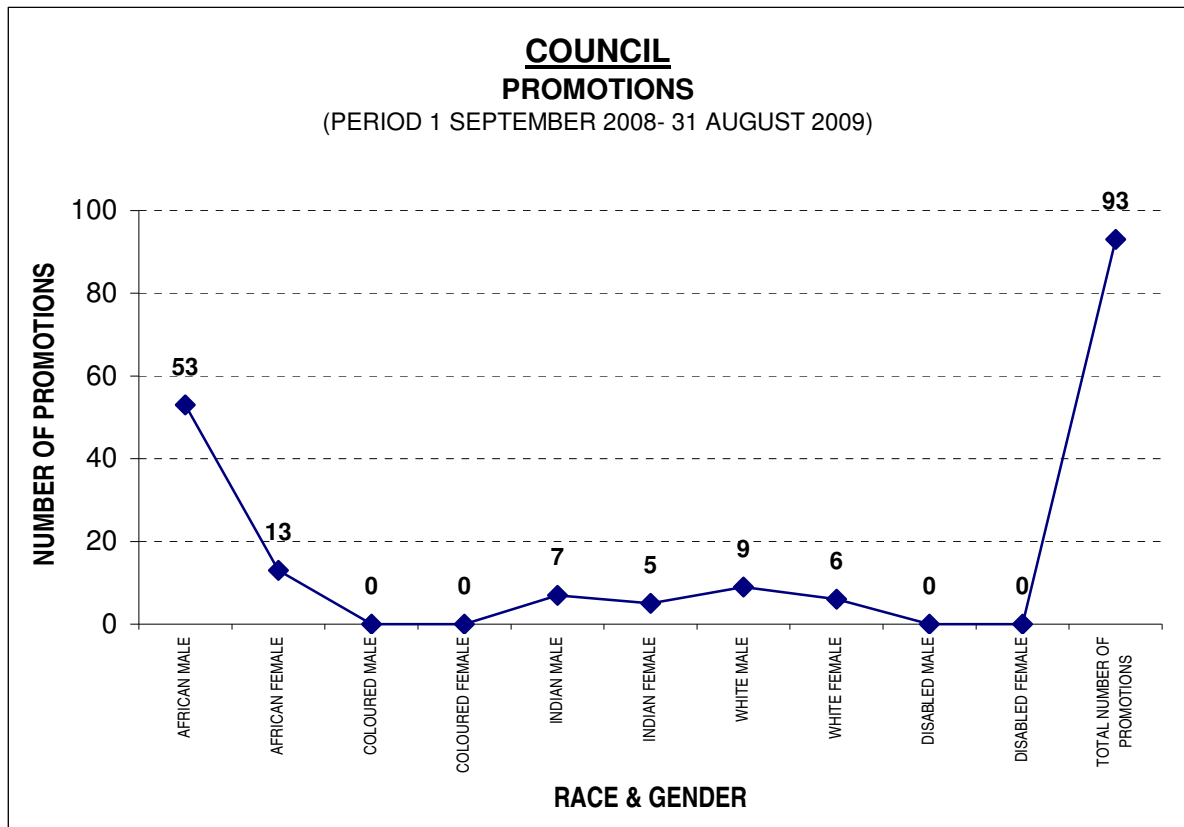
Tabled below is a breakdown of appointments made in Council per job level during the 12-month period:

BREAKDOWN PER JOB LEVEL

| JOB LEVEL | AFRICAN | | COLOURED | | INDIAN | | WHITE | | DISABLED | | TOTAL APPOINTMENTS PER LEVEL |
|--------------|------------------|----------------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|----------------------------|------------------------------|
| | M A L E | F / M A L E | M A L E | F/M A L E | M A L E | F/M A L E | M A L E | F/M A L E | M A L E | F / M A L E | |
| 23 | 3 | | | | | | | | | | 3 |
| 22 | | | | | | | | | | | |
| 21 | | | | | | | | | | | |
| 20 | | | | | | | | | | | |
| 19 | 1 | | | | | | | | | | 1 |
| 18 | | | | | | | | | | | |
| 17 | | | | | | | | | | | |
| 16 | 2 | 1 | | | | | | | | | 3 |
| 15 | 3 | | | | | | | | | | 3 |
| 14 | | | | | | | | | | | |
| 13 | | 1 | | | | | | | | | 1 |
| 12 | 3 | | | | | | | | | | 3 |
| 11 | 2 | 7 | | | | 2 | 1 | 1 | | | 13 |
| 10 | 10 | 2 | | | | | 1 | | | | 13 |
| 9 | 5 | 6 | | | 3 | 2 | 3 | 1 | | | 20 |
| 8 | 5 | 3 | | | | | 1 | | | | 9 |
| 7 | 6 | 3 | | | 1 | 1 | 1 | | | | 12 |
| 6 | 11 | 10 | 1 | 1 | | 3 | 3 | 2 | | | 31 |
| 5 | 2 | 7 | | | 2 | 3 | 1 | | | | 15 |
| 4 | 9 | 7 | | | 1 | 2 | | 1 | | | 20 |
| 3 | 10 | 10 | | | | | 3 | | | | 23 |
| 2 | | 1 | | | 1 | | | 1 | | | 3 |
| 1 | | 2 | | | | | | | | | 2 |
| TOTAL | 72 | 60 | 1 | 1 | 8 | 13 | 14 | 6 | | | 175 |

PROMOTIONS (Period 1 September 2008 – 31 August 2009)

During the said 12-month period, 93 permanent employees were promoted of which 66 are African, 12 are Indian and 15 are White.



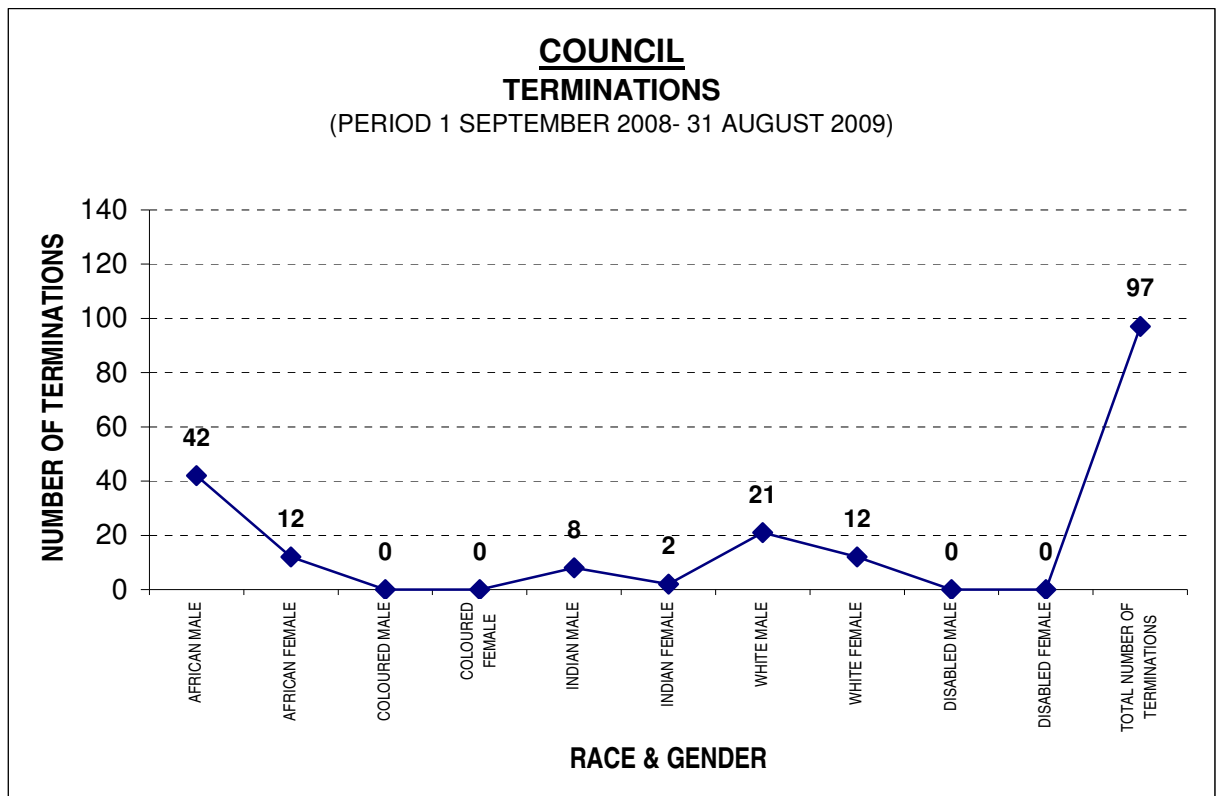
Tabled below is a breakdown of promotions in Council per job level during the 12 month period:

BREAKDOWN PER JOB LEVEL

| JOB LEVEL | AFRICAN | | COLOURED | | INDIAN | | WHITE | | DISABLED | | TOTAL APPOINTMENTS PER LEVEL |
|-----------|---------|-------------|----------|-----------|---------|-----------|---------|-----------|----------|-------------|------------------------------|
| | M A L E | F / M A L E | M A L E | F/M A L E | M A L E | F/M A L E | M A L E | F/M A L E | M A L E | F / M A L E | |
| 23 | 1 | 1 | | | | | | | | | 2 |
| 22 | | | | | | | | | | | |
| 21 | | | | | | | | | | | |
| 20 | | | | | | | | | | | |
| 19 | 2 | 1 | | | 1 | | 1 | | | | 5 |
| 18 | | | | | | | | | | | |
| 17 | 2 | | | | 1 | | 1 | | | | 4 |
| 16 | 2 | | | | | | 1 | | | | 3 |
| 15 | 1 | | | | | | 1 | 2 | | | 4 |
| 14 | | | | | | | | | | | |
| 13 | | | | | | | | | | | |
| 12 | | | | | 2 | 1 | 2 | | | | 5 |
| 11 | 5 | | | | | 2 | | 2 | | | 9 |
| 10 | 4 | 1 | | | | | 1 | 1 | | | 7 |
| 9 | 6 | 2 | | | 1 | | | | | | 9 |
| 8 | 3 | 1 | | | | | | | | | 4 |
| 7 | 3 | 2 | | | | 1 | | | | | 6 |
| 6 | 16 | 2 | | | 2 | | 2 | 1 | | | 23 |
| 5 | 5 | 1 | | | | 1 | | | | | 7 |
| 4 | 3 | 2 | | | | | | | | | 5 |
| 3 | | | | | | | | | | | |
| 2 | | | | | | | | | | | |
| 1 | | | | | | | | | | | |
| TOT AL | 53 | 13 | | | 7 | 5 | 9 | 6 | | | 93 |

TERMINATIONS (Period 1 September 2008 – 31 August 2009)

During the said 12-month period, there were 97 terminations of which 54 were African, 10 were Indian and 33 were White.



Tabled below is a breakdown of terminations in Council per job level during the 12 month period:

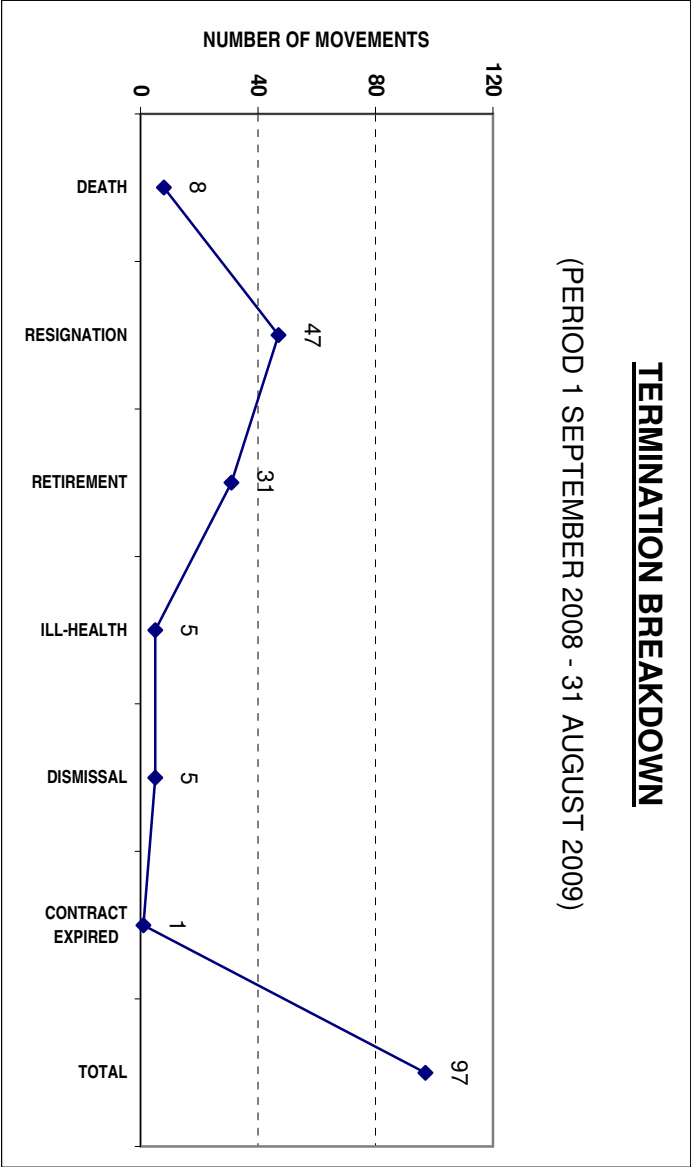
BREAKDOWN PER JOB LEVEL

| JOB LEVEL | AFRICAN | | COLOURED | | INDIAN | | WHITE | | DISABLED | | TOTAL APPOINTMENTS PER LEVEL |
|--------------|------------------|----------------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|----------------------------|------------------------------|
| | M A L E | F / M A L E | M A L E | F/M A L E | M A L E | F/M A L E | M A L E | F/M A L E | M A L E | F / M A L E | |
| 22 | | | | | 1 | | | 1 | | | 2 |
| 21 | | | | | | | | | | | |
| 20 | | | | | | | | | | | |
| 19 | | | | | 2 | | 4 | 1 | | | 7 |
| 18 | | | | | | | | | | | |
| 17 | | | | | 1 | | 1 | | | | 2 |
| 16 | 2 | | | | | | | | | | 2 |
| 15 | 1 | | | | 1 | | | | | | 2 |
| 14 | | | | | | | | | | | |
| 13 | | | | | | | | | | | |
| 12 | | | | | | | 2 | | | | 2 |
| 11 | 2 | 3 | | | | | 3 | 2 | | | 10 |
| 10 | 1 | | | | | | 3 | 1 | | | 5 |
| 9 | 2 | | | | 1 | | 2 | 1 | | | 6 |
| 8 | 4 | 1 | | | | | 4 | | | | 9 |
| 7 | 1 | | | | | | | 2 | | | 3 |
| 6 | 2 | 1 | | | | 1 | | 4 | | | 8 |
| 5 | | | | | | 1 | | | | | 1 |
| 4 | 5 | 3 | | | 1 | | 1 | | | | 10 |
| 3 | 20 | 4 | | | 1 | | 1 | | | | 26 |
| 2 | 2 | | | | | | | | | | 2 |
| 1 | | | | | | | | | | | |
| TOTAL | 42 | 12 | | | 8 | 2 | 21 | 12 | | | 97 |

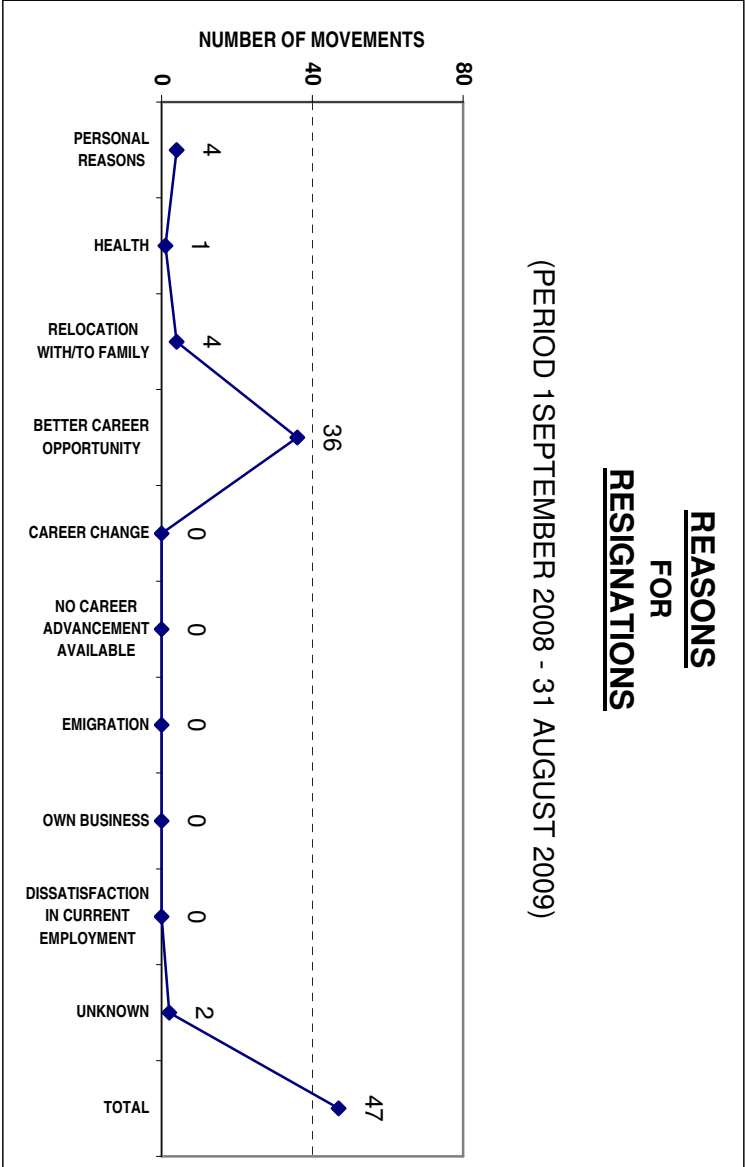
Below are graphs reflecting:

- a breakdown of terminations for the said period;
- a breakdown of the reasons for resignation; and
- a comparison between appointments made, promotions and terminations.

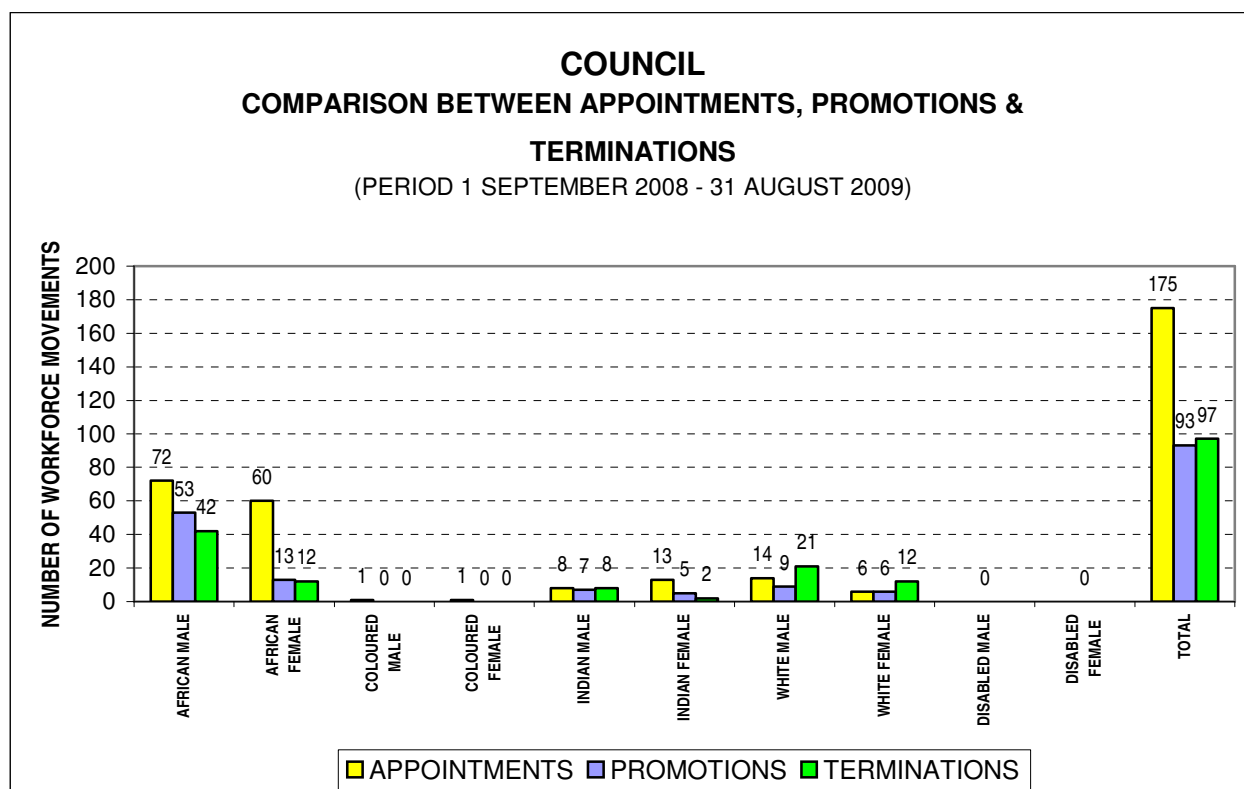
TERMINATION BREAKDOWN



RESIGNATION BREAKDOWN



COMPARISON BETWEEN APPOINTMENTS, PROMOTIONS & TERMINATIONS



Staff employed

Below is a table reflecting the number of staff employed per department together with the number of vacancies:

Infrastructure and Technical Services

Vacancies per category

| Permanently Employed | Total Vacancies | Top Management | Senior Management | Middle Management | Junior Management | Semi skilled |
|----------------------|-----------------|----------------|-------------------|-------------------|-------------------|--------------|
| 645 | 100 | 0 | 9 | 11 | 48 | 32 |

Community Services

Vacancies per category

| Permanently Employed | Total Vacancies | Top Management | Senior Management | Middle Management | Junior Management | Semi skilled |
|----------------------|-----------------|----------------|-------------------|-------------------|-------------------|--------------|
| 833 | 87 | 1 | 3 | 6 | 35 | 42 |

City Development

Vacancies per category

| Permanently Employed | Total Vacancies | Top Management | Senior Management | Middle Management | Junior Management | Semi skilled |
|----------------------|-----------------|----------------|-------------------|-------------------|-------------------|--------------|
| 70 | 10 | 1 | 2 | 0 | 6 | 1 |

Corporate Services

Vacancies per category

| Permanently Employed | Total Vacancies | Top Management | Senior Management | Middle Management | Junior Management | Semi skilled |
|----------------------|-----------------|----------------|-------------------|-------------------|-------------------|--------------|
| 57 | 16 | 2 | 3 | 3 | 8 | 0 |

Financial Services

Vacancies per category

| Permanently Employed | Total Vacancies | Top Management | Senior Management | Middle Management | Junior Management | Semi skilled |
|----------------------|-----------------|----------------|-------------------|-------------------|-------------------|--------------|
| 135 | 16 | 1 | 2 | 2 | 10 | 1 |

Training and Development

In terms of the City of uMhlathuze work skills plan, training addressed all aspects in terms of the needs of the labour force with a special emphasis on technical training. An amount of R 2 332 669 .99 was spent on training and an amount of R 1 215 780.63 was received from LGSETA based on the 2007/2008 Annual training Report. 1024 employees attended 72 training courses. These courses were presented in house and by external training providers. Training included, among others: first aid, HIV peer education, conflict management, basic ambulance assistance, storm water pipe laying, paving, patchworks (potholes), landscape maintenance and various computer courses.

Below is a table of the number of officials per designated group and occupation level that attended training courses:

| Occupation level | African Male | Coloured Male | Indian Male | White Male | African Female | Coloured Female | Indian Female | White Female | Total |
|-------------------|--------------|---------------|-------------|------------|----------------|-----------------|---------------|--------------|-------|
| Top Management | 29 | 2 | 5 | 11 | 16 | 0 | 1 | 2 | 65 |
| Senior Management | 16 | 0 | 4 | 2 | 4 | 0 | 0 | 10 | 36 |
| Middle Management | 36 | 0 | 2 | 26 | 36 | 2 | 6 | 4 | 112 |
| Junior Management | 322 | 4 | 36 | 66 | 200 | 10 | 42 | 62 | 742 |
| Semi Skilled | 250 | 0 | 2 | 14 | 104 | 0 | 4 | 4 | 378 |
| Unskilled | 4 | 0 | 0 | 4 | 4 | 0 | 0 | 0 | 12 |
| Total | 657 | 6 | 49 | 123 | 364 | 12 | 53 | 82 | 1346 |

The achievements as per Department for the financial year under review is contained in the 2008/2009 Annual Review which forms an addendum to the Annual Report

Employment Wellness

The Employee Assistance Programme (EAP) is a work-site based intervention programme designed to improve productivity by assisting Council with the early identification and resolving of employees' personal and work-related problems that might adversely affect work performance.

All employees are made aware of the EAP and that all counseling conducted by the Municipality's EAP Practitioners is strictly confidential.

The EAP link on Council's Intranet website also provides employees with in-depth information on employee wellness topics.

In addition various Employee Wellness activities were conducted and include:

- The Women's Wellness and Cancer Awareness Day attended by over 100 female employees;
- 16 Days of Activism against Women and Child Abuse attended by over 50 employees;
- An employees Wellness day that was attended by over 200 employees.

Mr Vikash Singh was appointed as the Chairperson of EAPA KZN (Zululand Region) and together with the City of uMhlathuze hosted the Inaugural EAPA Seminar held at the Richards Bay Civic Centre that was well attended by EAP Practitioners.

Safety, Health and Environmental (SHE) Risk Management

Incidents

A new incident investigation procedure was implemented to ensure that thorough investigations are conducted in order to mitigate the risks surrounding an occurrence and to prevent similar incidents from taking place in the future.

SHE Risk Training

Various training awareness courses were arranged for employees, including the following fire extinguisher training, first aid, confined space entry, pedestrian controlled stacker, truck mounted crane and SHE Representative, incident investigation.

To promote awareness of health and safety numerous safety talks took place as well as a SHE representative awareness workshop, and a COID (Compensation for Occupational Injuries and Diseases) road show.

Weekly safety messages are distributed to all employees using GroupWise. By disseminating SHE-related information on a regular basis the Municipality aims to foster the ideology of safety being a way of life.

Contractor Management

All contractors performing work for and on behalf of Council undergo induction by the SHE training officer before commencement of work. Inducted persons are issued with identification cards as proof of their induction and the SHE Risk Management Section keeps induction records.

Through induction contractors are made familiar with the hazards and risks within the Council environment as well as orientated with regards to ensuring the health and safety of all persons performing work and affected by the work being carried out.

Labour Relations

Council works hard to maintain a sound and healthy relationship with the employees and prides itself on the high standard of discipline among its employees.

This section is tasked with:

- Acquainting Council employees and supervisors with disciplinary procedures in terms of Collective Bargaining Agreements
- Protecting Council's interests and bringing offenders to book for their misconduct
- Fostering a good relationship with organized labour and ensuring that disciplinary actions are conducted in a just and fair manner.
- Attending to queries brought by employees or supervisors regarding their conditions of service in terms of Collective Bargaining Agreements.



CHAPTER 4

AUDIT COMMITTEE REPORT

The Honourable Speaker
Council of the City of uMhlathuze
Civic Centre
Mark Strasse
Richards Bay
3901

13 January 2010

Dear Sir

Audit Committee's Report to Council

The Audit Committee of the City of uMhlathuze has pleasure in submitting its fifth report to the Council of the City of uMhlathuze. This report is submitted in terms of the provisions of sections 121(3)(j), 166(2)(b) and 166(2)(c) of the Municipal Finance Management Act of 2003 ("the MFMA") and covers the financial year from 1 July 2008 to 30 June 2009.

Members

1. The following persons served as members of the Audit Committee for the year under review:

JM de Wet – Chairperson
BB Mdletshe
M Ndlovu – nominated municipal employee
H Oosthuizen

Ms Ndlovu retired from the Audit Committee subsequent to the end of the financial year due to her appointment as Senior Manager: Corporate Services. This position is currently vacant.

Overview of activities

2. The Audit Committee had four formal meetings during the period covered by this report. These meetings were held on 15 October 2008, 27 November 2008, 8 June 2009 and 30 June 2009, respectively. The Audit Committee therefore complied with the provisions of section 166(4)(b) of the MFMA which requires the Audit Committee to meet at least four times per year.
3. The following matters were dealt with at these meetings:
 - The Internal Audit Plan for the 2008/2009 financial year was considered and approved;
 - At each of the four meetings, a report from the internal auditors was tabled, discussed and approved;
 - Attention was given to Council's Performance Management System by considering reports from Council's Performance Management Committee;
 - The management report of the Auditor General on the regularity audit and the audit of performance information for the year ended 30 June 2008, was received and considered.

Report

4. For purposes of executing its statutory duties as contained in section 166(2)(a) of the MFMA as well as its mandate as set out in the Audit Committee Charter, the Audit Committee relies heavily on the work done by internal audit which has been outsourced to PricewaterhouseCoopers, a firm of professional services providers.
5. In order to be able to rely on the work performed by internal audit, the Audit Committee has to satisfy itself that the quality and scope of the work performed by internal audit is sufficient to be able to place the necessary reliance thereon. It is the view of the Audit Committee that the work performed by internal audit is of a high standard, that it is properly planned and controlled and that the reporting is detailed and comprehensive. There is also sufficient evidence that internal audit findings are discussed with the responsible officials and that implementation of corrective measures that have been agreed upon, are followed up regularly. Consequently we have no hesitation in relying on the work performed by internal audit for purposes of executing our mandate. We are therefore in a position to advise Council that as far as matters relating to internal financial control, the adequacy, reliability and accuracy of financial reporting, performance management and evaluation, effective governance and compliance with the MFMA and other relevant legislation are concerned, the internal audit reports considered by the Committee have not revealed any material issues that may compromise any of these functions or responsibilities. This comment should however be read with our concerns and recommendations which are dealt with in paragraph 9.
6. Section 166(2)(b) of the MFMA requires the Audit Committee to “review the annual financial statements to provide the council of the municipality with an authoritative and credible view of the financial position of the municipality, its efficiency and effectiveness and its overall level of compliance with this Act, the annual Division of Revenue Act and any other applicable legislation”. For these purposes, the Audit Committee relies on the work performed by the Auditor-General during its audit of the financial statements of the municipality.
7. The members of the Audit Committee reviewed the financial statements for the year ended 30 June 2009 and can report as follows:
 - In spite of recording an operating deficit for the year in the amount of R70,7m, the City maintained a good current cash and investment position and has been meeting its debt obligations;
 - Long term loans increased from R408,9m in 2008 to R725.6m in 2009 primarily to fund the acquisition of assets of some R406.7m;
 - The City’s credit control section is effecting proper debt management for the whole City. It should, however be noted that consumer debt has increased by some 20.5% compared to 2008;
 - The Auditor-General’s report on the financial statements has been noted. In this regard it is pleasing to note that the Auditor-General expressed an unqualified audit opinion on the financial statements for the year ended 30 June 2009 but with emphasis of matter items relating to significant water losses in excess of R36m and the restatement of corresponding figures.
 - The Auditor General also reported that governance policies and practices operated effectively and appropriately during the year and that the municipality has complied with the key governance responsibilities, except for weaknesses identified in the information

technology control environment, quality of financial statements and the systems and the design controls underlying the asset register.

- The Auditor-General's management letter and management's response thereto has been considered.
8. Insofar as the provisions of section 166(2)(c) of the MFMA are concerned, we can report that, in our opinion, there are no issues raised by the Auditor General in the audit report which require specific response to Council.

Concerns and recommendations

9. During the course of our meetings and discussions during the period under review, a number of important issues came to light which the Audit Committee believes should be brought to Council's attention. These matters are dealt with below:

9.1 As reported previously, the Audit Committee remains concerned at the slow pace at which the IT Strategy is being finalised and implemented. It was suggested at the Audit Committee meeting held on 15 December 2009, that a full review of the implementation progress be conducted in the second half of 2010 in order to establish the true state of affairs. Once this review has been conducted, the necessary corrective measures can then be decided upon.

9.2 Also reported previously, is the Audit Committee's concern at the slow rate at which outstanding audit queries are resolved. Unresolved audit findings are listed and carried forward from one meeting to next until those findings have been satisfactorily addressed by management. This matter will again receive internal audit's attention early in 2010.

9.3 The preparation of Council's annual financial statements is governed by various International Financial Reporting Standards, Generally Recognised Accounting Standards and Generally Accepted Municipal Accounting Standards. In addition, there are a number of financial reporting requirements issued by National Treasury which have to be complied with. Full compliance with these Standards was required for the year ended 30 June 2009. In spite of the substantial compliance burden which these standards require, Council's Treasury Department managed to comply with these standards to the satisfaction of the Auditor General and Treasury should, in our view, be congratulated for this achievement. Future compliance with financial reporting standards will however continue to place severe strain on existing financial capacity. It is therefore crucial that Council acknowledge the importance of maintaining and improving its financial capacity to meet this future challenge.

9.4 It is of concern to the Audit Committee that during the period December 2008 to May 2009 no Audit Committee meetings were held. In our opinion, meetings should be scheduled on a strict quarterly basis and it is the intention of the Audit Committee to enforce this routine for the 2009/2010 financial year.

9.5 The internal audit contract of PricewaterhouseCoopers expires on 30 June 2010. Council is urged to resolve the renewal of the internal audit contract whether it be in the form of an extension of the existing contract or by the calling of tenders, well before the expiry date so as to ensure that the internal audit work can carry on without interruption over this period.

10. Although the Audit Committee was never formally informed by Council of the suspension of the Municipal Manager, Dr T Heynecke, it is now public knowledge. The Audit Committee has the following concerns regarding this matter:

10.1 The Audit Committee acts, *inter alia*, as Council's Corporate Governance watchdog. In this regard, it is the Audit Committee's view that the Audit Committee should have been advised beforehand of Council's intention to suspend the Municipal Manager, especially in view of the fact that, according to press reports, the Municipal Manager's suspension was based on allegations of mismanagement.

10.2 The Audit Committee is further of the opinion that this matter should be resolved as soon as possible as the matter has potentially material financial consequences and has already, in our view, caused reputational damage to Council. It is also our view that it is not conducive to good Corporate Governance to have an Acting Municipal Manager for an extended period of time.

Conclusion

11. The implementation and maintenance of proper systems of internal control, the prevention of fraud and error, the safeguarding of the assets of the municipality and compliance with relevant laws and regulations, are Council's responsibility. The role of the Audit Committee is to monitor the efficiency of the procedures and mechanisms which Council has put in place in order to ensure that its policies and procedures are adhered to. We can report that, taking into account the exceptions noted above and based on the reports submitted to us, that our overall impression is that the systems and procedures implemented by council are operating efficiently.

Yours faithfully

JM de Wet
Chairman – Audit Committee



CHAPTER 5

AUDITED ANNUAL FINANCIAL STATEMENTS 2008/2009

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REPORT OF THE AUDITOR-GENERAL TO THE KWAZULU-NATAL PROVINCIAL LEGISLATURE AND THE COUNCIL ON THE FINANCIAL STATEMENTS AND PERFORMANCE INFORMATION OF uMHLATHUZE MUNICIPALITY FOR THE YEAR ENDED 30 JUNE 2009

REPORT ON THE FINANCIAL STATEMENTS

Introduction

1. I have audited the accompanying financial statements of the uMhlathuze Municipality which comprise the statement of financial position as at 30 June 2009, and the statement of financial performance, the statement of changes in net assets and the cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes as set out on pages 130 to 166

The accounting officer's responsibility for the financial statements

2. The accounting officer is responsible for the preparation and fair presentation of these financial statements in accordance with the Standards of Generally Recognised Accounting Practice (Standards of GRAP) and in the manner required by the Local Government: Municipal Finance Management Act, 2003 (Act No. 56 of 2003) (MFMA)] and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Auditor-General's responsibility

3. As required by section 188 of the Constitution of the Republic of South Africa, 1996 read with section 4 of the Public Audit Act, 2004 (Act No. 25 of 2004) (PAA) and section 126(3) of the MFMA, my responsibility is to express an opinion on these financial statements based on my audit.
4. I conducted my audit in accordance with the International Standards on Auditing read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008*. Those standards require that I comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.
5. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

6. Paragraph 11 *et seq.* of the Standards of GRAP, GRAP 1 *Presentation of Financial Statements* requires that financial reporting by entities shall provide information on whether resources were obtained and used in accordance with the legally adopted budget. As the budget reporting standard is not effective for this financial year, I have determined that my audit of any disclosures made by the uMhlathuze Municipality in this respect will be limited to reporting on non-compliance with this disclosure requirement.
7. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

8. In my opinion the financial statements present fairly, in all material respects, the financial position of the uMhlathuze Municipality as at 30 June 2009 and its financial performance and its cash flows for the year then ended, in accordance with the Standards of GRAP and in the manner required by the MFMA

Emphasis of matter

I draw attention to the following matter on which I do not express a qualified opinion

Material losses/impairment

9. As disclosed in note 27 to the financial statements, the municipality incurred a significant water loss of 14 639 044 kilolitres amounting to R36 595 611.

Restatement of corresponding figures

10. As disclosed in notes 33 and 34 to the financial statements, the corresponding figures for 30 June 2008 have been restated as a result of a change in accounting policy and errors discovered during 2008/2009 in the financial statements of the municipality at and for the year ended 30 June 2008

Other matters

I draw attention to the following matters that relate to my responsibilities in the audit of the financial statements:

Unaudited supplementary schedules

11. The municipality provided supplementary information in the financial statements on whether resources were obtained and used in accordance with the legally adopted budget, in accordance with GRAP 1 *Presentation of Financial Statements*. The supplementary information set out on pages 167 to 176 does not form part of the financial statements and is presented as additional information. I do not express an opinion thereon.

Governance framework

12. The governance principles that impact the auditor's opinion on the financial statements are related to the responsibilities and practices exercised by the accounting officer and executive management and are reflected in the key governance responsibilities addressed below:

Key governance responsibilities

13. The MFMA tasks the accounting officer with a number of responsibilities concerning financial and risk management and internal control. Fundamental to achieving this is the implementation of key governance responsibilities, which I have assessed as follows:

| No. | Matter | Y | N |
|---|--|--------------------------|--------------------------|
| Clear trail of supporting documentation that is easily available and provided in a timely manner | | | |
| 1. | No significant difficulties were experienced during the audit concerning delays or the availability of requested information. | <input type="checkbox"/> | |
| Quality of financial statements and related management information | | | |
| 2. | The financial statements were not subject to any material amendments resulting from the audit. | | <input type="checkbox"/> |
| 3. | The annual report was submitted for consideration prior to the tabling of the auditor's report. | | <input type="checkbox"/> |
| Timeliness of financial statements and management information | | | |
| 4. | The annual financial statements were submitted for auditing as per the legislated deadlines section 126 of the MFMA. | <input type="checkbox"/> | |
| Availability of key officials during audit | | | |
| 5. | Key officials were available throughout the audit process. | <input type="checkbox"/> | |
| Development and compliance with risk management, effective internal control and governance practices | | | |
| 6. | Audit committee | | |
| | <ul style="list-style-type: none"> The municipality had an audit committee in operation throughout the financial year. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The audit committee operates in accordance with approved, written terms of reference. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The audit committee substantially fulfilled its responsibilities for the year, as set out in section 166(2) of the MFMA. | <input type="checkbox"/> | |
| 7. | Internal audit | | |
| | <ul style="list-style-type: none"> The municipality had an internal audit function in operation throughout the financial year. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The internal audit function operates in terms of an approved internal audit plan. | <input type="checkbox"/> | |
| | <ul style="list-style-type: none"> The internal audit function substantially fulfilled its responsibilities for the year, as set out in section 165(2) of the MFMA. | <input type="checkbox"/> | |
| 8. | There are no significant deficiencies in the design and implementation of internal control in respect of financial and risk management. | | <input type="checkbox"/> |
| 9. | There are no significant deficiencies in the design and implementation of internal control in respect of compliance with applicable laws and regulations. | <input type="checkbox"/> | |
| 10. | The information systems were appropriate to facilitate the preparation of the financial statements. | <input type="checkbox"/> | |
| 11. | A risk assessment was conducted on a regular basis and a risk management | <input type="checkbox"/> | |

| No. | Matter | Y | N |
|--|--|--------------------------|---|
| | strategy, which includes a fraud prevention plan, is documented and used as set out in section 62(1)(c)(i) of the MFMA. | | |
| 12. | Delegations of responsibility are in place, as set out in section 79 of the MFMA. | <input type="checkbox"/> | |
| Follow-up of audit findings | | | |
| 13. | The prior year audit findings have been substantially addressed. | <input type="checkbox"/> | |
| 14. | SCOPA resolutions have been substantially implemented. | <input type="checkbox"/> | |
| Issues relating to the reporting of performance information | | | |
| 15. | The information systems were appropriate to facilitate the preparation of a performance report that is accurate and complete. | <input type="checkbox"/> | |
| 16. | Adequate control processes and procedures are designed and implemented to ensure the accuracy and completeness of reported performance information. | <input type="checkbox"/> | |
| 17. | A strategic plan was prepared and approved for the financial year under review for purposes of monitoring the performance in relation to the budget and delivery by the municipality against its mandate, predetermined objectives, outputs, indicators and targets section 68 of the MFMA (municipalities). | <input type="checkbox"/> | |
| 18. | There is a functioning performance management system and performance bonuses are only paid after proper assessment and approval by those charged with governance. | <input type="checkbox"/> | |

14. Governance policies and practices operated effectively and appropriately during the year. The municipality has complied with the key governance responsibilities, except for weaknesses identified in the Information Technology control environment, quality of financial statements and the systems and the design of controls underlying the asset register which need to be addressed to improve adherence to the governance framework.

Investigations

15. An investigation into the activities of various staff members was finalised during the financial year. Investigations into allegations of untoward relationship between employees and a supplier and allegations of irregularities within the traffic department are pending disciplinary processes.
16. In terms of a council meeting held on the 29 September 2009, a decision was taken to place the City Manager on special leave with effect from 1 October 2009 until an investigation has been completed on, inter alia, land sales and other deviations from council policy.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on performance information

17. I have reviewed the performance information as set out on pages 23 to 83.

The accounting officer's responsibility for the performance information

18. In terms of section 121(3)(c) of the MFMA, the annual report of a municipality must include the annual performance report of the municipality, prepared by the

municipality in terms of section 46 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000) (MSA).

The Auditor-General's responsibility

19. I conducted my engagement in accordance with section 13 of the PAA read with *General Notice 616 of 2008*, issued in *Government Gazette No. 31057 of 15 May 2008* and section 45 of the MSA.
20. In terms of the foregoing my engagement included performing procedures of a review nature to obtain sufficient appropriate evidence about the performance information and related systems, processes and procedures. The procedures selected depend on the auditor's judgement.
21. I believe that the evidence I have obtained is sufficient and appropriate to provide a basis for the findings reported below.

Findings on performance information

Non-compliance with regulatory requirements

Content of integrated development plan

22. The integrated development plan of the municipality did not include the key performance indicators and performance targets determined in terms of its performance management system, as required by sections 26(i) and 41(1)(b) of the MSA and regulation 12 of the Municipal Planning and Performance Management Regulations, 2001.

Usefulness and reliability of reported performance information

23. The following criteria were used to assess the usefulness and reliability of the information on the municipality's performance with respect to the objectives in its integrated development plan:
 - Consistency: Has the municipality reported on its performance with regard to its objectives, indicators and targets in its approved integrated development plan?
 - Relevance: Is the performance information as reflected in the indicators and targets clearly linked to the predetermined objectives and mandate. Is this specific and measurable, and is the time period or deadline for delivery specified?
 - Reliability: Can the reported performance information be traced back to the source data or documentation and is the reported performance information accurate and complete in relation to the source data or documentation?

The following review findings relate to the above criteria:

Inconsistently reported performance information

24. The municipality had not indicated measures taken to improve performance where targets were not met in the areas of water supply, electricity operation, inspection of formal food premises and scheduled trades

APPRECIATION

25. The assistance rendered by the staff of the uMhlathuze Municipality during the audit is sincerely appreciated.

Pietermaritzburg

30 November 2009



A U D I T O R - G E N E R A L
S O U T H A F R I C A

Auditing to build public confidence

STATEMENT OF THE MUNICIPAL MANAGERS RESPONSIBILITY

City of uMhlathuze ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

The uMhlathuze Municipality situated at 5 Mark Strasse, Richardsbay is a category B municipality, established in terms of section 12 (1) of the Municipal Structures Act, No 117 of 1998 and published in terms of Provincial Government Notice 346 on the 19 September 2000. The Local Government operations of the Municipality are assigned by section 156 and 229 of the South African Constitution and defined specifically in terms of 83 of the Municipal Structures Act.

I am responsible for the preparation of these annual financial statements, which are set out on pages 1 to 64, in terms of Section 126(1) of the Municipal Finance Management Act and which I have signed on behalf of the Municipality.

I certify that the salaries, allowances and benefits of Councillors as disclosed in note 20 of these annual financial statements are within the upper limits of the framework envisaged in Section 219 of the Constitution, read with the Remuneration of Public Office Bearers Act and The Minister of Provincial and Local Government's determination in accordance with this Act.

N.P. NHLEKO
ACTING CITY MANAGER

DATE

CITY OF uMHLATHUZE

STATEMENT OF FINANCIAL POSITION AT 30 JUNE 2009

| | Notes | 2009 R | RESTATED 2008 R |
|---|-------|----------------------|-----------------------|
| NET ASSETS AND LIABILITIES | | | |
| Net assets | | 1,357,128,792 | 1,427,821,890 |
| Housing Development Fund | 1 | 57,463,622 | 57,821,456 |
| Self-insurance reserve | | - | 320,422 |
| Accumulated surplus | | 1,299,665,170 | 1,369,680,012 |
| Non-current liabilities | | 856,226,718 | 537,894,866 |
| Long-term liabilities | 2 | 725,519,718 | 408,938,866 |
| Post employment medical aid benefits | 31 | 130,707,000 | 128,956,000 |
| Current liabilities | | 354,256,927 | 265,349,344 |
| Consumer deposits | 3 | 31,221,776 | 31,637,703 |
| Trade and other payables | 4 | 207,595,981 | 158,009,103 |
| Provisions | 32 | 15,957,783 | 15,390,618 |
| Unspent conditional grants and receipts | 5 | 43,760,808 | 43,620,879 |
| Current portion of long-term liabilities | 2 | 55,720,579 | 16,691,041 |
| Total Net Assets and Liabilities | | 2,567,612,437 | 2,231,066,100 |
| ASSETS | | | |
| Non-current assets | | 2,240,543,914 | 1,916,964,486 |
| Property, plant and equipment | 8 | 2,156,986,017 | 1,830,289,686 |
| Investment property | 10 | 77,662,085 | 77,881,880 |
| Intangible assets | 9 | 5,520,882 | 6,890,640 |
| Non-current receivables | 12 | 374,930 | 1,902,280 |
| Current assets | | 327,068,523 | 314,101,614 |
| Inventory | 7 | 78,296,969 | 118,659,009 |
| Trade and other receivables from exchanged transactions | 11 | 95,808,222 | 79,502,505 |
| Other receivables from non-exchanged transactions | 13 | 16,379,198 | 8,582,446 |
| VAT | 6 | 20,397,021 | 10,210,712 |
| Current portion of long-term receivables | 12 | 759,234 | 754,841 |
| Bank balances and cash | 25 | 115,427,879 | 96,392,101 |
| Total Assets | | 2,567,612,437 | 2,231,066,100 |

CITY OF uMHLATHUZE

**STATEMENT OF FINANCIAL PERFORMANCE
FOR THE YEAR ENDED 30 JUNE 2009**

| | Notes | 2009 R | 2008 R |
|---|--------------|-----------------------------|---------------------------|
| REVENUE | | | |
| Property rates | 15 | 125,068,126 | 104,141,463 |
| Property rates - penalties imposed and collection charges | | 1,350,171 | 1,457,670 |
| Service charges | 16 | 632,066,077 | 475,612,225 |
| Rental of facilities and equipment | | 9,903,792 | 9,932,434 |
| Interest earned - external investments | | 16,614,284 | 17,359,709 |
| Interest earned - outstanding debtors | | 579,085 | 364,302 |
| Fines | | 3,685,080 | 5,704,115 |
| Licences and permits | | 1,744,924 | 1,516,923 |
| Income for agency services | | 3,762,297 | 3,180,717 |
| Government grants and subsidies | 17 | 168,234,221 | 250,597,545 |
| Public contributions | | 6,446,427 | 2,258,023 |
| Other income | 18 | 25,139,322 | 23,756,906 |
| Reduction in provision for bad debts | 11 | 2,469,735 | - |
| Gains on sale of land | | 15,486,317 | 21,991,656 |
| Gains on disposal of property, plant and equipment | | 55,652 | 2,711,304 |
| Total Revenue | | <u><u>1,012,605,510</u></u> | <u><u>920,584,992</u></u> |
| EXPENDITURE | | | |
| Employee related costs | 19 | 280,327,309 | 255,099,226 |
| Remuneration of Councillors | 20 | 13,214,416 | 11,741,904 |
| Bad debts | 11 | - | 1,651,008 |
| Collection costs | | 28,758 | 107,529 |
| Depreciation | | 86,514,951 | 93,526,452 |
| Amortisation | | 1,369,758 | 1,032,541 |
| Post employment benefits expenses | 31 | 1,751,000 | - |
| Conditional grant expenditure | | 3,452,005 | 1,849,365 |
| Repairs and maintenance | | 70,095,397 | 38,175,213 |
| Finance costs | 21 | 68,252,938 | 44,787,085 |
| Bulk purchases | 22 | 387,375,087 | 239,622,632 |
| Contracted services | | 64,627,409 | 54,052,246 |
| Grants and subsidies paid | 23 | 1,167,209 | 10,877,846 |
| General expenses | | 105,122,369 | 87,756,627 |
| Total Expenditure | | <u><u>1,083,298,607</u></u> | <u><u>840,279,674</u></u> |
| (DEFICIT)/SURPLUS FOR THE YEAR (Refer to statement of changes in net assets) | | <u><u>(70,693,097)</u></u> | <u><u>80,305,318</u></u> |

Refer to Appendix E (1) for the comparison with the approved budget

CITY OF uMHLATHUZE

STATEMENT OF CHANGES IN NET ASSETS FOR THE YEAR ENDED 30 JUNE 2009

| | Housing Development Fund | Capitalisation Reserve | Government Grant Reserve | Donation and Public Contribution Reserve | Self-Insurance Reserve | Revaluation Reserve | Accumulated Surplus | Total |
|---|---|-----------------------------------|-------------------------------------|---|-----------------------------------|--------------------------------|--------------------------------|----------------------|
| 2008 | R | R | R | R | R | R | R | R |
| Balance at 30 June 2007 | 11,368,273 | 229,323,332 | 227,840,359 | 180,745,002 | 217,307 | - | 72,296,144 | 721,790,417 |
| Incorrect capitalisation of John Ross Highway | | | | | | | (20,000,000) | (20,000,000) |
| Reversal of depreciation | | | | | | | 776,256 | 776,256 |
| Restatement of 1 July 2007 balance | | (229,323,332) | (227,840,359) | (180,745,002) | | | 637,908,693 | - |
| Restated balance | 11,368,273 | - | - | - | 217,307 | - | 690,981,093 | 702,566,673 |
| Surplus for the year | | | | | | | 80,305,318 | 80,305,318 |
| Revaluation Land (note 36) | | | | | | 709,765,690 | - | 709,765,690 |
| Realisation of revaluation | | | | | | (53,861,883) | 53,861,883 | - |
| Capital grants used to purchase PPE | | | 32,937,469 | 2,121,102 | | | (35,058,571) | - |
| Donated/contributed PPE | | | 76,893,040 | 79,595,666 | | | (156,488,706) | - |
| Contribution to Insurance Reserve | | | | | 541,634 | | (541,634) | - |
| Insurance claims processed | | | | | (438,519) | | 438,519 | - |
| Transfer to Housing Development Fund | 51,550,439 | | | | | | (51,550,439) | - |
| Offsetting of depreciation | (5,097,256) | (34,753,246) | (21,846,078) | (7,673,522) | | - | 69,370,102 | - |
| Reversal of movements during the 2008 | | | (109,830,509) | (81,716,768) | | (655,903,807) | 847,451,084 | - |
| 2008 Depreciation taken to Surplus | | 34,753,246 | 21,846,078 | 7,673,522 | | | (64,272,846) | - |
| Balance at 30 June 2008 | 57,821,456 | - | - | - | 320,422 | - | 1,434,495,803 | 1,492,637,681 |
| 2009 | R | R | R | R | R | R | R | R |
| Balance at 30 June 2008 | 57,821,456 | - | - | - | 320,422 | - | 1,434,495,803 | 1,492,637,681 |
| Inventory land not brought in previous year | | | | | | | 43,294,717 | 43,294,717 |
| Investment land not brought in previous year | | | | | | | 20,824,944 | 20,824,944 |
| Reversal of depreciation (capital under construction) | | | | | | | 20,548 | 20,548 |
| Restatement (defined benefit obligation) | | | | | | | (128,956,000) | (128,956,000) |
| Restated balance | 57,821,456 | - | - | - | 320,422 | - | 1,369,680,012 | 1,427,821,890 |
| Surplus / (deficit) for the year | | | | | | | (70,693,097) | (70,693,097) |
| Contribution to Insurance Reserve | | | | | 377,505 | | (377,505) | - |
| Insurance claims processed | | | | | (1,012,190) | | 1,012,190 | - |
| Transfer from Housing Development Fund | (357,835) | | | | | | 357,835 | - |
| Transfer Insurance reserve to Surplus | | | | | 314,263 | - | (314,263) | - |
| Balance at 30 June 2009 | 57,463,622 | - | - | - | - | - | 1,299,665,170 | 1,357,128,793 |

CITY OF uMHLATHUZE

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2009

| | Note | 2009 R | RESTATED 2008 R |
|---|------|----------------------|-----------------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Cash receipts from ratepayers, government and other | | 965,276,331 | 853,084,934 |
| Cash paid to suppliers and employees | | (845,080,185) | (669,392,955) |
| Cash generated from operations | 24 | 120,196,146 | 183,691,979 |
| Interest received | | 16,614,284 | 17,359,709 |
| Interest paid | | (68,252,938) | (44,787,085) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | | <u>68,557,492</u> | <u>156,264,603</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Purchase of property plant and equipment | | (406,712,526) | (281,736,608) |
| Proceeds on disposal of property plant and equipment | | 57,465 | 3,115,164 |
| Decrease in non-current receivables | | 1,522,957 | 2,285,863 |
| NET CASH UTILISED IN INVESTING ACTIVITIES | | <u>(405,132,104)</u> | <u>(276,335,581)</u> |
| CASH FLOWS UTILISED IN FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 380,000,000 | 353,560 |
| Repayment of borrowings | | (24,389,610) | (19,795,047) |
| NET CASH FLOW FROM FINANCING ACTIVITIES | | <u>355,610,390</u> | <u>(19,441,487)</u> |
| Net increase/(decrease) in cash and cash equivalents | | 19,035,778 | (139,512,465) |
| Cash and cash equivalents at the beginning of the year | | 96,392,101 | 235,904,566 |
| Cash and cash equivalents at the end of the year | 25 | <u>115,427,879</u> | <u>96,392,101</u> |

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009

1. BASIS OF PRESENTATION

The annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention.

These annual financial statements have been prepared in accordance with Generally Recognized Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act, (Act No 56 of 2003).

The principal accounting policies adopted in the preparation of these annual financial statements are set out below:

| | |
|----------|---|
| GRAP 1 | Presentation of Financial Statements |
| GRAP 2 | Cash Flow Statements |
| GRAP 3 | Accounting Policies, Changes in Accounting Estimates and Errors |
| GRAP 5 | Borrowing Costs |
| GRAP 6 | Consolidated and Separate Financial Statements |
| GRAP 9 | Revenue from Exchange Transactions |
| GRAP 12 | Inventories |
| GRAP 13 | Leases |
| GRAP 14 | Events after the Reporting Date |
| GRAP 16 | Investment property |
| GRAP 17 | Property, Plant and Equipment |
| GRAP 19 | Provisions, Contingent Liabilities and Contingent Assets |
| GAMAP 9 | Paragraphs relating to Revenue from Non-Exchange Transactions |
| GRAP 100 | Non-Current Assets Held for Sale and Discontinued Operations |
| GRAP 102 | Intangible Assets |
| IPSAS 20 | Related Party Disclosure |
| IPSAS 21 | Impairment of Non Cash-Generating Assets |
| IFRS 7 | Financial Instruments: Disclosures |
| IAS 19 | Employee Benefits |
| IAS 32 | Financial Instruments: Presentation |
| IAS 36 | Impairment of Assets |
| IAS 39 | Financial Instruments: Recognition and Measurement |
| IFRIC 4 | Determining whether an arrangement contains a lease |

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

2. PRESENTATION CURRENCY

These annual financial statements are presented in South African Rand.

3. GOING CONCERN ASSUMPTION

These annual financial statements have been prepared on a going concern basis.

4. OFFSETTING

Assets, liabilities, revenues and expenses have not been offset except when offsetting is required or permitted by a Standard of GRAP.

5. STANDARDS, AMENDMENTS TO STANDARDS AND INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

The following GRAP standards have been issued but are not yet effective and have not been early adopted by the municipality:

- GRAP 18 Segment Reporting - issued March 2005
- GRAP 23 Revenue from Non-Exchange Transactions (Taxes and Transfers) - issued February 2008
- GRAP 24 Presentation of Budget Information in Financial Statements - issued November 2007
- GRAP 103 Heritage Assets - issued July 2008

Application of all of the above GRAP standards will be effective from a date to be announced by the Minister of Finance. This date is not currently available.

The following amendments to standards and interpretations have been issued but are not yet effective and have not been early adopted by the municipality:

- IAS 19 Employee Benefits - effective 1 January 2009
- IFRIC 17 Distribution of Non-cash Assets to Owners - effective 1 July 2009
- IAS 39 Financial Instruments: Recognition and Measurement - portions of standard effective 1 July 2009

Management has considered all the of the above-mentioned GRAP standards issued but not yet effective and anticipates that the adoption of these standards will not have a significant impact on the financial position, financial performance or cash flows of the municipality.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

6. PROPERTY, PLANT AND EQUIPMENT

6.1 INITIAL RECOGNITION

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one year.

The cost of an item of property, plant and equipment is recognised as an asset if, and only if it is probable that future economic benefits or service potential associated with the item will flow to the municipality, and if the cost or fair value of the item can be measured reliably.

Property, plant and equipment are initially recognised at cost on its acquisition date or in the case of assets acquired by grant or donation, deemed cost, being the fair value of the asset on initial recognition. The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by the municipality. Trade discounts and rebates are deducted in arriving at the cost. The cost also includes the necessary costs of dismantling and removing the asset and restoring the site on which it is located.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Where an asset is acquired by the municipality for no or nominal consideration (i.e. a non-exchange transaction), the cost is deemed to be equal to the fair value of that asset on the date acquired.

The cost of an item of property, plant and equipment acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets is measured at its fair value. If the acquired item could not be measured at its fair value, its cost was measured at the carrying amount of the asset given up.

Major spare parts and servicing equipment qualify as property, plant and equipment when the municipality expects to use them during more than one period. Similarly, if the major spare parts and servicing equipment can be used only in connection with an item of property, plant and equipment, they are accounted for as property, plant and equipment.

6.2 SUBSEQUENT MEASUREMENT

Subsequent expenditure relating to property, plant and equipment is capitalised if it is probable that future economic benefits or potential service delivery associated with the subsequent expenditure will flow to the entity and the cost or fair value of the subsequent expenditure can be reliably measured. Subsequent expenditure incurred on an asset is only capitalised when it increases the capacity or future economic benefits associated with the asset. Where the municipality replaces parts of an asset, it derecognises the part of the asset being replaced and capitalises the new component.

Subsequently all property plant and equipment, are measured at cost (or deemed cost) less accumulated depreciation and accumulated impairment losses.

CITY OF uMHLATHUZE

ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009 (continued)

6.2 SUBSEQUENT MEASUREMENT (continued)

Compensation from third parties for items of property, plant and equipment that were impaired, lost or given up is included in surplus or deficit when the compensation becomes receivable.

6.3 DEPRECIATION

Land is not depreciated as it is regarded as having an infinite life. Depreciation on assets other than land is calculated on cost, using the straight-line method, to allocate their cost or revalued amounts to their residual values over the estimated useful lives of the assets. The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. Components of assets that are significant in relation to the whole asset and that have different useful lives are depreciated separately. The depreciation rates are based on the following estimated useful lives.

Depreciation only commences when the asset is available for use, unless stated otherwise.

| | Years | | Years |
|-------------------------|-------|------------------------------------|-------|
| Infrastructure | | Other | |
| Roads and Paving | 15-30 | Buildings | 30 |
| Pedestrian Malls | 20 | Specialised vehicles | 10 |
| Electricity | 20-30 | Other vehicles | 3-7 |
| Water | 15-20 | Office equipment | 3-5 |
| Sewerage | 15-20 | Furniture and fittings | 7 |
| Housing | 30 | Watercraft | 15 |
| Community | | Bins and containers | 5-10 |
| Buildings | 30 | Specialised plant and equipment | 10-15 |
| Recreational Facilities | 20-30 | Other items of plant and equipment | 2-5 |
| Security | 5 | Landfill sites | 15 |

The assets residual values, estimated useful lives and depreciation method are reviewed annually, and adjusted retrospectively if appropriate, at each reporting date.

7. LEASES

The Municipality as Lessee

Leases are classified as finance leases where substantially all the risks and rewards associated with ownership of an asset are transferred to the municipality. Property, plant and equipment subject to finance lease agreements are capitalised at their cash cost equivalent and the corresponding liabilities are raised. The cost of the item of property, plant and equipment is depreciated at appropriate rates on the straight-line basis over its estimated useful life. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Operating leases are those leases that do not fall within the scope of the above definition. Operating lease rentals are expensed as they become due.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

7. LEASES (continued)

The Municipality as Lessor

Amounts due from lessees under finance leases or instalment sale agreements are recorded as receivables at the amount of the Municipality's net investment in the leases. Finance lease or instalment sale income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Municipality's net investment outstanding in respect of the leases or instalment sale agreements.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

8. IMPAIRMENT OF NON-FINANCIAL ASSETS

Impairment of Cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the recoverable amount.

The recoverable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

Impairment of Non-cash generating assets

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment.

Assets that are subject to amortisation are reviewed for impairment whenever events or circumstances indicate that the serviceable amount may not be recoverable.

An impairment loss is recognised for the amount by which the carrying amount exceeds the serviceable amount.

The serviceable amount is the higher of the assets Fair Value less cost to sell, or its value in use.

9. INTANGIBLE ASSETS

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. The cost of an intangible asset is amortised over the useful life of 3 years.

10. INVESTMENT PROPERTIES

Investment property, which is property held to earn rental revenue or for capital appreciation, is stated at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated on cost, using the straight-line method over the useful life of the property.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

11. INVENTORIES

Consumable stores, raw materials, work-in-progress and finished goods and land held for sale are valued at the lower of cost and net realisable value. In general, the basis of determining cost is the first-in, first-out method.

Redundant and slow-moving inventories are identified and written down from cost to net realisable value with regard to their estimated economic or realisable values.

12. REVENUE RECOGNITION

12.1 REVENUE FROM EXCHANGE TRANSACTIONS

Service charges relating to electricity and water are based on consumption. Meters are read on a monthly basis and are recognised as revenue in the period of consumption. Where meters cannot be read during a particular month, they are provisionally billed with the necessary adjustments made in the month in which they were read. Revenue from the sale of electricity prepaid meter cards are recognised at the point of sale.

Service charges relating to refuse removal are recognised on a monthly basis in arrears by applying the approved tariff to each property that has improvements. Tariffs are determined per category of property usage, and are levied monthly based on the number of refuse containers on each property, regardless of whether or not all containers are emptied.

Service charges from sewerage are based on the water consumption on each developed property using the tariffs approved from Council and are levied monthly.

Interest and rentals are recognised on a time apportionment basis. Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered by applying the relevant gazetted tariffs. This includes the issuing of licences and permits.

Income for agency services is recognised on a monthly basis once the income collected on behalf of agents has been quantified. The income recognised is in terms of the agency agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

Revenue from public contributions is recognised when all conditions associated with the contribution has been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received but the municipality has not met the condition, a liability is recognised.

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS

Revenue from property rates is recognised when the legal entitlement to this revenue arises. Collection charges are recognised when such amounts are legally enforceable. Penalty interest on unpaid rates is recognised on a time proportion basis.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

12.2 REVENUE FROM NON-EXCHANGE TRANSACTIONS (continued)

Fines constitute both spot fines and summonses. Revenue from spot fines and summonses is recognised when payment is received.

Donations are recognised on a cash receipt basis or where the donation is in the form of property, plant and equipment, when such items of property, plant and equipment are brought into use.

Contributed property, plant and equipment are recognized when such items or property, plant and equipment are brought into use. Revenue from the recovery of unauthorized, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act No.56 of 2003) and is recognized when the recovery thereof from the responsible councillors or officials is virtually certain.

13. CONDITIONAL GRANTS AND RECEIPTS

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent that the Municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. To the extent that the criteria, conditions or obligations have not been met a liability is recognised.

14. PROVISIONS

Provisions are recognised when the Municipality has a present or constructive obligation as a result of past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the provision can be made. Provisions are reviewed at reporting sheet date and adjusted to reflect the current best estimate.

15. HOUSING DEVELOPMENT FUND

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Housing selling schemes, both complete and in progress at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

16. RETIREMENT BENEFITS

The Municipality provides post retirement medical aid benefits to retired employees. The entitlement to these benefits is usually conditional on the employee remaining in employment up to retirement age.

The Expected costs of these benefits are accrued of the period of employment. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of 10% of the value of the defined benefit obligation are charged or credited to income over the expected average remaining useful lives of the related employees.

The Defined benefit obligation are valued annually by independent qualified actuaries.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

17. BORROWING COSTS

Borrowing costs incurred relating to qualifying assets and all other borrowing costs incurred were recognised as expenses in the Statement of Financial Performance in the previous financial year in accordance with the benchmark treatment in the old IAS 23, i.e. expensing all borrowing costs. The municipality capitalises borrowing costs incurred that are directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset only when the commencement date for capitalisation is on or after 1 July 2008, while all other borrowing costs incurred (including borrowing cost incurred on qualifying assets where the commencement date for capitalisation is prior to 1 July 2008) are recognised as an expense in the Statement of Financial Performance for the financial year ending 30 June 2009 in accordance with the requirements of GRAP 5 and ASB Directive 3.

It is considered inappropriate to capitalise borrowing costs where the link between the funds borrowed and the capital asset acquired cannot be adequately established - the municipality expenses borrowing costs when it is inappropriate to capitalise it. The municipality ceases the capitalisation of borrowing costs when substantially all the activities to prepare the asset for its intended use or sale are complete.

18. FINANCIAL INSTRUMENTS

18.1 INITIAL RECOGNITION

Financial instruments are initially recognized at fair value.

18.2 SUBSEQUENT MEASUREMENT

Financial Assets are categorised according to their nature as either financial assets at fair value through profit or loss, held-to-maturity, loans and receivables, or available for sale. Financial liabilities are categorised as either at fair value through profit or loss or financial liabilities carried at amortised cost. The subsequent measurement of financial assets and liabilities depends on this categorisation and, in the absence of an approved GRAP Standard on Financial Instruments, is in accordance with IAS 39.

18.2.1 INVESTMENTS

Investments, which include listed government bonds, unlisted municipal bonds, fixed deposits and short-term deposits invested in registered commercial banks, are categorized as either held-to-maturity where the criteria for that categorization are met, or as loans and receivables, and are measured at amortised cost. Where investments have been impaired, the carrying value is adjusted by the impairment loss, which is recognized as an expense in the period that the impairment is identified. Impairments are calculated as being the difference between the carrying amount and the present value of the expected future cash flows flowing from the instrument. On disposal of an investment, the difference between the net disposal proceeds and the carrying amount is charged or credited to the Statement of Financial Performance.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

18.2 SUBSEQUENT MEASUREMENT (continued)

18.2.2 TRADE AND OTHER RECEIVABLES

Trade and other receivables are categorized as financial assets: loans and receivables and recognized at fair value and subsequently carried at amortised cost. Amortised cost refers to the initial carrying amount, plus interest, less repayments and impairments. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year-end. Significant financial difficulties of the debtor, probabilities that the debtor will enter bankruptcy or financial reorganization, and default or delinquency in payments (more than 60 days overdue) are considered indicators that the trade receivable is impaired. Impairments are determined by discounting expected future cash flows to their present value. Amounts that are receivable within 12 months from the reporting date are classified as current.

An impairment of trade receivables is accounted for by reducing the carrying amount of trade receivables and the amount of the loss is recognized in the Statement of Financial Performance within operating expenses. When a trade receivable is uncollectible, it is written off.

18.2.3 TRADE PAYABLES AND BORROWINGS

Financial liabilities consist of trade payables and borrowings. They are categorized as financial liabilities held at amortised cost, are initially recognized at fair value and subsequently measured at amortised cost which is the initial carrying amount, less repayments, plus interest. Amounts that are payable within 12 months from the reporting date are classified as current.

18.2.4 CASH AND CASH EQUIVALENTS

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash, that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

For the purposes of the cash flow statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdraft.

Bank overdrafts are recorded based on the facility used. Finance charges on bank overdraft are expensed as incurred. Amounts owing in respect of bank overdrafts are categorized as financial liabilities.

19. UNAUTHORISED EXPENDITURE

Unauthorized expenditure is expenditure that has not been budgeted, expenditure that is not in terms of the conditions of an allocation received from another sphere of government, municipality or organ of state and expenditure in the form of a grant that is not permitted in terms of the Municipal Finance Management Act (Act No.56 of 2003).

Unauthorized expenditure is accounted for as an expense in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

CITY OF uMHLATHUZE
ACCOUNTING POLICIES TO THE ANNUAL FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2009 (continued)

20. IRREGULAR EXPENDITURE

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the Municipality's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

21. FRUITLESS AND WASTEFUL EXPENDITURE

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

22. COMPARATIVE INFORMATION

22.1 *Current year comparatives:*

Budgeted amounts have been included in the annual financial statements for the current financial year only.

22.2 *Prior year comparatives:*

When the presentation or classification of items in the annual financial statements is amended, prior period comparative amounts are reclassified. The nature and reason for the reclassification is disclosed.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 |
|---|-------------------|-------------------|
| | R | R |
| 1 HOUSING DEVELOPMENT FUND | | |
| The Housing Development Fund is represented by the following assets | | |
| Fixed Assets | 52,043,897 | 52,471,142 |
| Bank and cash | 17,020,085 | 15,450,397 |
| Accumulated Surplus | (11,600,360) | (10,100,083) |
| Total Housing Development Fund Assets and Liabilities | 57,463,622 | 57,821,456 |

2 LONG-TERM LIABILITIES

| | | |
|--|--------------------|--------------------|
| Annuity Loans | 781,240,297 | 425,629,907 |
| Less: Current portion transferred to current liabilities | (55,720,579) | (16,691,041) |
| Total External Loans | 725,519,718 | 408,938,866 |

Refer to Appendix A for more detail on long-term liabilities

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

2LONG-TERM LIABILITIES (continued)

External Loans repayments- Future years

| | DBSA | DBSA | INCA | DBSA (EMP) | Standard Bank | Nedbank | INCA | DBSA | DBSA | DBSA | Totals |
|------|------------|-----------|------------|------------|---------------|------------|-------------|-------------|------------|-------------|-------------|
| | R | R | R | R | R | R | R | R | R | R | R |
| | 28,198,187 | 7,179,890 | 13,306,999 | 690,582 | 69,219,294 | 69,534,511 | 220,000,000 | 238,110,832 | 35,000,000 | 100,000,000 | 781,240,295 |
| | 12.00% | 14.50% | 13.95% | 16.16% | 9.62% | 7.75% | 8.75% | 11.70% | 6.75% | 11.57% | |
| 2010 | 5,347,477 | 1,403,464 | 2,570,621 | 536,931 | 15,942,543 | 15,569,076 | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 139,052,363 |
| 2011 | 5,347,477 | 1,403,464 | 2,570,621 | 268,465 | 15,942,543 | 15,569,076 | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 138,783,897 |
| 2012 | 5,347,477 | 1,403,464 | 2,570,621 | | 15,942,543 | 15,569,076 | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 138,515,432 |
| 2013 | 5,347,477 | 1,403,464 | 2,570,621 | | 15,942,543 | 15,569,076 | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 138,515,432 |
| 2014 | 5,347,477 | 1,403,464 | 2,570,621 | | 15,942,543 | 15,569,076 | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 138,515,432 |
| 2015 | 5,347,477 | 1,403,464 | 2,570,621 | | 15,942,543 | 15,569,076 | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 138,515,432 |
| 2016 | 5,347,477 | 1,403,464 | 2,570,621 | | 7,971,271 | 7,784,538 | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 122,759,622 |
| 2017 | 5,347,477 | 1,403,464 | 2,570,621 | | | | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 107,003,813 |
| 2018 | 5,347,477 | 1,403,464 | 2,570,621 | | | | 33,473,084 | 42,207,733 | 4,869,733 | 17,131,701 | 107,003,813 |
| 2019 | | | 1,298,842 | | | | 33,473,084 | 21,103,724 | 4,869,733 | 17,131,701 | 77,877,084 |

Disclosure about the Terms and Conditions of Financial Instruments-Borrowings

Future payments are based on the balances at 30/06/09

(i) The interest rate applicable to the Standard Bank & Nedbank loan is

variable and yearly instalments are therefore subject to Interest rate risk

(ii) Lease liability has been settled in full

(iii) Yearly instalments payable bi-annually, consist of capital redemption and interest due and no

other requirements are attached

No early settlement options are profitable to Council

Conversion options are not applicable

There is no security given against the loans

Receipts or payments of the loans are in South African currency

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 |
|---------------------------|-------------------|-------------------|
| | R | R |
| 3CONSUMER DEPOSITS | | |
| Electricity and Water | 30,596,644 | 30,600,870 |
| Other | 625,133 | 1,036,833 |
| Total Deposits | 31,221,776 | 31,637,703 |

| | | |
|---|-------------------|-------------------|
| Guarantees held in lieu of Electricity and Water Deposits | 48,440,771 | 48,252,432 |
|---|-------------------|-------------------|

4TRADE AND OTHER PAYABLES

| | | |
|-----------------------------|--------------------|--------------------|
| Trade payables | 48,297,418 | 38,232,578 |
| Other payables | 116,275,440 | 86,904,151 |
| Retentions | 24,651,718 | 18,118,688 |
| Amounts Received in Advance | 18,371,406 | 14,753,686 |
| Total Creditors | 207,595,981 | 158,009,103 |

5UNSPENT CONDITIONAL GRANTS AND RECEIPTS

Conditional Grants from other spheres of Government

| | | |
|--|-------------------|-------------------|
| National Conditional Grants | 3,965,802 | 5,505,339 |
| Provincial Local Government Grants | 772,974 | 1,980,784 |
| Provincial Development Planning Grants | 137,201 | 37,201 |
| Provincial Housing Grants | 13,735,275 | 16,699,285 |
| Provincial Library Services Subsidies | 278,279 | 411,998 |
| Provincial Community Development Workers Programme | 29,711 | 30,935 |
| Provincial Department of Transport Subsidy | 167,279 | 167,279 |
| Department of Sport & Recreation | 73,144 | - |
| Department of Water Affairs (DWA) Cleanest Town Award | 69,228 | 70,507 |
| Department of Water Affairs (DWA) Water Services Programme | 255,307 | 255,307 |
| Department of Water Affairs (DWA) Refurbishment Grant | 5,329,040 | 6,178,000 |
| Department of Water Affairs (DWA) Institutional Support Programme Grant | 283,578 | 1,078,578 |
| Department of Water Affairs (DWA) Water Conservation and Demand Management Grant | 105,243 | 462,000 |
| Department of Minerals & Energy | - | 326,152 |
| Department of Agriculture and Environmental Affairs | 290,953 | 90,953 |
| Municipal Infrastructure Grant (MIG) | 18,100,061 | 10,158,828 |
| uThungulu District Municipality Capacity Building Grant | 130,977 | 130,977 |
| uThungulu District Municipality Museum Operating Subsidy | 36,756 | 36,756 |
| | 43,760,808 | 43,620,879 |

See Note 17 for reconciliation of grants from other spheres of government.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 |
|------------------------|---------------------|---------------------|
| | R | R |
| 6VAT | | |
| Output Suspense | 2,460,628 | 2,745,606 |
| Input Suspense | (17,522,822) | (12,210,103) |
| Output Payable | (5,334,827) | (746,215) |
| VAT (claimable) | (20,397,021) | (10,210,712) |

VAT is payable on the payment basis. Only once payment is made or received is VAT claimed or paid over to SARS. All VAT returns have been submitted by the due date throughout the year.

| | 2009 | 2008 |
|-------------------|------|------|
| | R | R |
| 7INVENTORY | | |

| | | |
|---------------------------------------|--------------------|-------------------|
| Opening balance of inventories | 118,659,009 | 9,048,272 |
| Consumable stores - at cost | 10,057,955 | 8,462,231 |
| Water - at cost | 659,337 | 586,041 |
| Land | 107,941,717 | - |
| Additions | 51,950,830 | 35,856,822 |
| Consumable stores | 51,950,830 | 35,856,822 |
| Issued (expensed) | 92,168,995 | 34,163,284 |
| Consumable stores | 48,874,278 | 34,163,284 |
| Land | 43,294,717 | - |

| | | |
|---|----------------|---------------|
| Write-down to Net Replacement Value (NRV) or Net Replacement Cost (NRC): | 265,556 | 97,814 |
| Consumable stores | 265,556 | 97,814 |

| | | |
|---------------------------------------|-------------------|--------------------|
| Closing balance of inventories | 78,296,969 | 118,659,009 |
| Consumable stores - at cost | 12,868,949 | 10,057,955 |
| Water - at cost | 781,021 | 659,337 |
| Land | 64,647,000 | 107,941,717 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

8Property, Plant And Equipment

30 June 2009

| Reconciliation Of Carrying Values | Land | Housing | Infrastructure | Community | Heritage | Other | Total |
|--|--------------------|-------------------|-----------------------|--------------------|-----------------|--------------------|----------------------|
| | R | R | R | R | R | R | R |
| Carrying Values | | | | | | | |
| At 1 July 2008 | 561,694,800 | 52,471,142 | 938,102,850 | 121,269,861 | 49,502 | 156,701,531 | 1,830,289,686 |
| Cost | (94,209,007) | 57,568,398 | 1,507,872,491 | 174,346,718 | 49,502 | 304,095,608 | 1,949,723,710 |
| Revaluation | 655,903,807 | - | - | - | - | - | 655,903,807 |
| Accumulated Depreciation | - | (5,097,256) | (569,769,641) | (53,076,857) | - | (147,394,077) | (775,337,831) |
| Acquisitions | 3,150 | 4,864,943 | 272,897,493 | 16,783,729 | - | 97,163,211 | 391,712,526 |
| Capital under construction | | | | 21,278,782 | | | 21,278,782 |
| Donated | | | | | | 1,993 | 1,993 |
| Depreciation | | (5,292,188) | (57,056,206) | (4,859,430) | - | (19,087,332) | (86,295,156) |
| Based on cost | - | (5,292,188) | (57,056,206) | (4,859,430) | - | (19,087,332) | (86,295,156) |
| Based on revaluation | | | | | | | - |
| Carrying Value Of Disposals | - | | - | - | - | (1,814) | (1,814) |
| Cost | - | | - | | | (135,678) | (135,678) |
| Revaluation | | | | | | | - |
| Accumulated Depreciation | - | | - | | | 133,864 | 133,864 |
| Carrying Values | | | | | | | |
| At 30 June 2009 | 561,697,950 | 52,043,897 | 1,153,944,137 | 154,472,942 | 49,502 | 234,777,589 | 2,156,986,017 |
| Cost | (94,205,857) | 62,433,341 | 1,780,769,984 | 212,409,229 | 49,502 | 401,125,134 | 2,362,581,333 |
| Revaluation | 655,903,807 | | | | | | 655,903,807 |
| Accumulated Depreciation | | (10,389,444) | (626,825,847) | (57,936,287) | - | (166,347,545) | (861,499,123) |
| Cost | - | (10,389,444) | (626,825,847) | (57,936,287) | - | (166,347,545) | (861,499,123) |
| Revaluation | - | | - | - | - | - | - |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

Propert, Plant And Equipment (continued)

30 June 2008 (Restated)

| Reconciliation Of Carrying Values | Land | Housing | Infrastructure | Community | Heritage | Other | Total |
|--|--------------------|-------------------|-----------------------|--------------------|-----------------|--------------------|----------------------|
| | R | R | R | R | R | R | R |
| Carrying Values | | | | | | | |
| At 1 July 2007 | 1,371,953 | - | 797,670,676 | 59,768,257 | 49,502 | 139,220,979 | 998,081,367 |
| Cost | 1,371,953 | - | 1,310,969,755 | 100,038,172 | 49,502 | 273,266,286 | 1,685,695,668 |
| Accumulated Depreciation | - | - | (513,299,079) | (40,269,915) | - | (134,045,307) | (687,614,301) |
| Acquisitions | 24,064,917 | 57,568,398 | 78,222,328 | 63,796,872 | - | 36,200,716 | 259,853,231 |
| Capital Under Construction | | | 118,681,603 | 12,604,111 | - | 4,034,017 | 135,319,731 |
| Revaluation | 709,765,690 | | | | | | 709,765,690 |
| Transferred to Inventory | (59,628,000) | | | (2,083,000) | | (2,936,000) | (64,647,000) |
| Transfer to Investment | (56,001,000) | | | | | | (56,001,000) |
| Transfer to Intangible | | | | | | (542,675) | (542,675) |
| Depreciation | - | (5,097,256) | (56,471,757) | (12,836,927) | - | (18,871,646) | (93,277,586) |
| Based on cost | - | (5,097,256) | (56,471,757) | (12,836,927) | - | (18,871,646) | (93,277,586) |
| Based on revaluation | | | | | | | - |
| Carrying Value Of Disposals | (57,878,760) | - | - | - | - | (403,860) | (58,282,620) |
| Cost | (4,016,877) | | (1,195) | (9,437) | - | (5,926,736) | (9,954,245) |
| Revaluation | (53,861,883) | | | | | | (53,861,883) |
| Accumulated Depreciation | - | | 1,195 | 9,437 | - | 5,522,876 | 5,533,508 |
| Carrying Values | | | | | | | |
| At 30 June 2008 | 561,694,800 | 52,471,142 | 938,102,850 | 121,269,861 | 49,502 | 156,701,531 | 1,830,289,686 |
| Cost | (94,209,007) | 57,568,398 | 1,507,872,491 | 174,346,718 | 49,502 | 304,095,608 | 1,949,723,710 |
| Revaluation | 655,903,807 | | | | | | 655,903,807 |
| Accumulated Depreciation | | (5,097,256) | (569,769,641) | (53,076,857) | - | (147,394,077) | (775,337,831) |
| Cost | - | (5,097,256) | (569,769,641) | (53,076,857) | - | (147,394,077) | (775,337,831) |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

9Intangible Asset

30 June 2009

| Reconciliation Of Carrying Values | Total | R |
|--|------------------|----------|
| Carrying Values | | |
| At 1 July 2008 | 6,890,640 | |
| Cost | 13,138,086 | |
| Accumulated Amortisation | (6,247,446) | |
| Acquisitions | - | |
| Amortisation | (1,369,758) | |
| Carrying Values | | |
| At 30 June 2009 | 5,520,882 | |
| Cost | 13,138,086 | |
| Accumulated Amortisation | (7,617,204) | |

30 June 2008 (Restated)

| Reconciliation Of Carrying Values | Total | R |
|---|------------------|----------|
| Carrying Values | | |
| At 1 July 2007 | 2,600,983 | |
| Cost | 7,815,888 | |
| Accumulated Amortisation | (5,214,905) | |
| Acquisitions | 4,779,523 | |
| Transfer from Property, plant and equipment | 542,675 | |
| Amortisation | (1,032,541) | |
| Carrying Values | | |
| At 30 June 2008 | 6,890,640 | |
| Cost | 13,138,086 | |
| Accumulated Amortisation | (6,247,446) | |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

10 INVESTMENT PROPERTY

30 June 2009

| Reconciliation of carrying values | Lot 617 Meerensee Ext 5-Pick n Pay | Lot 16990/2 Remainder Ext 90- Caravan park | Airport | Lot 11376 Pulp United (Pty) Ltd | Total |
|--|---|---|--------------------|--|-------------------|
| Deed numbers | T22887/2000 | T789/1999 | T12114/1976 | T34219/1993 | |
| | R | R | R | R | R |
| Carrying Values At 1 July 2008 | 3,779,777 | 8,087,049 | 10,014,054 | 56,001,000 | 77,881,880 |
| Cost | 6,663,646 | 9,448,505 | 14,763,863 | 56,001,000 | 86,877,014 |
| Accumulated Depreciation | (2,883,869) | (1,361,456) | (4,749,809) | - | (8,995,134) |
| Depreciation | (83,931) | (19,447) | (116,417) | - | (219,795) |
| Carrying Value Of Disposals | - | - | - | - | - |
| Cost | - | - | - | - | - |
| Accumulated Depreciation | - | - | - | - | - |
| Carrying Values At 30 June 2009 | 3,695,846 | 8,067,602 | 9,897,637 | 56,001,000 | 77,662,085 |
| Cost | 6,663,646 | 9,448,505 | 14,763,863 | 56,001,000 | 86,877,014 |
| Accumulated Depreciation | (2,967,800) | (1,380,903) | (4,866,226) | - | (9,214,929) |

30 June 2008

| Reconciliation of carrying values | Lot 617 Meerensee Ext 5-Pick n Pay | Lot 16990/2 Remainder Ext 90- Caravan park | Airport | Lot 11376 Pulp United (Pty) Ltd | Total |
|---|---|---|--------------------|--|-------------------|
| Deed numbers | T22887/2000 | T789/1999 | T12114/1976 | T34219/1993 | |
| | R | R | R | R | R |
| Carrying Values At 1 July 2007 | 228,814 | 118,576 | 957,412 | - | 1,304,802 |
| Cost | 3,001,946 | 1,460,261 | 5,588,863 | - | 10,051,070 |
| Accumulated Depreciation | (2,773,132) | (1,341,685) | (4,631,451) | - | (8,746,268) |
| Transfer from PPE | | | | 56,001,000 | 56,001,000 |
| Investment land recognised | 3,661,700 | 7,988,244 | 9,175,000 | | 20,824,944 |
| Depreciation | (110,737) | (19,717) | (118,358) | - | (248,812) |
| Carrying Value Of Disposals | - | - | - | - | - |
| Cost | - | - | - | - | - |
| Accumulated Depreciation | - | - | - | - | - |
| Carrying Values At 30 June 2008 (Restated) | 3,779,777 | 8,087,049 | 10,014,054 | 56,001,000 | 77,881,880 |
| Cost | 6,663,646 | 9,448,505 | 14,763,863 | 56,001,000 | 86,877,014 |
| Accumulated Depreciation | (2,883,869) | (1,361,456) | (4,749,809) | - | (8,995,134) |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

11TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS

As at 30 June 2009

| | R | R |
|-------------------------------------|------------|-------------------|
| Service Debtors | | 101,986,230 |
| Rates | | 14,484,813 |
| Electricity | 18,744,491 | |
| June consumption billed in July | 38,654,598 | 57,399,089 |
| Water | 12,180,080 | |
| June consumption billed in July | 5,742,228 | |
| June water surcharge billed in July | 174,896 | 18,097,204 |
| Sewerage | 7,808,713 | |
| Special Sewer charges | 197,166 | |
| June sewer surcharge billed in July | 150,905 | 8,156,784 |
| Refuse | | 3,848,340 |
| Rental | | 2,371,882 |
| Sundry | | 6,250,110 |
| Gross Balance | | 110,608,222 |
| Less: Provision for Bad Debts | | (14,800,000) |
| Net Balance | | <u>95,808,222</u> |

As at 30 June 2008

| | | |
|---------------------------------|------------|-------------------|
| Service Debtors | | 86,260,070 |
| Rates | | 11,463,862 |
| Electricity | 18,905,495 | |
| June consumption billed in July | 26,033,482 | 44,938,977 |
| Water | 12,143,890 | |
| June consumption billed in July | 6,083,469 | 18,227,359 |
| Sewerage | 7,364,281 | |
| Special Sewer charges | 205,642 | 7,569,923 |
| Refuse | | 4,059,949 |
| Rental | | 1,835,255 |
| Sundry | | 8,807,180 |
| Gross Balance | | 96,902,505 |
| Less: Provision for Bad Debts | | (17,400,000) |
| Net Balance | | <u>79,502,505</u> |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|-------------------|-------------------|
| 11 TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued) | | |
| Rates Ageing | | |
| Current (0 - 30) days | 7,535,918 | 6,191,803 |
| 31 - 60 days | 1,224,529 | 1,173,257 |
| 61- 90 days | 807,291 | 404,978 |
| 91 - 120 days | 333,404 | 268,659 |
| 121-360 days | 2,761,617 | 1,624,952 |
| 361 + days | 1,822,354 | 1,800,213 |
| Total | 14,485,113 | 11,463,862 |
| Electricity, Water, Sewerage and Refuse: Ageing | | |
| Current (0 - 30) days | 73,305,568 | 57,921,067 |
| 31 - 60 days | 2,021,379 | 4,379,870 |
| 61- 90 days | 1,179,715 | 1,249,446 |
| 91 - 120 days | 1,339,440 | 1,006,086 |
| 121-360 days | 3,857,380 | 3,640,203 |
| 361+ days | 5,797,935 | 6,599,536 |
| Total | 87,501,417 | 74,796,208 |
| Rental | | |
| Current (0 - 30) days | 255,179 | 575,676 |
| 31 - 60 days | 185,325 | 119,611 |
| 61- 90 days | 130,172 | 98,459 |
| 91 - 120 days | 124,667 | 73,500 |
| 121-360 days | 701,139 | 598,356 |
| 361+ days | 975,340 | 369,653 |
| Total | 2,371,822 | 1,835,255 |
| Sundry | | |
| Current (0 - 30) days | 2,175,268 | 607,316 |
| 31 - 60 days | (212,141) | 2,634,235 |
| 61- 90 days | 132,066 | (119,141) |
| 91 - 120 days | (23,668) | 86,694 |
| 121-360 days | 555,514 | 1,031,530 |
| 361+ days | 3,623,070 | 4,566,546 |
| Total | 6,250,109 | 8,807,180 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

11TRADE AND OTHER RECEIVABLES FROM EXCHANGE TRANSACTIONS (Continued)

Summary of Debtors by Customer classification

| | Domestic consumers | Industry/ commercial | Nat / Provincial government |
|---|-----------------------|-------------------------|--------------------------------|
| | R | R | R |
| 30 June 2009 | | | |
| Current (0 - 30) days | 18,970,586 | 45,611,953 | 11,290,002 |
| 31 - 60 days | 1,788,636 | 1,801,734 | 912,570 |
| 61- 90 days | 1,307,883 | 797,272 | 561,068 |
| 91 - 120 days | 830,654 | 570,784 | 516,305 |
| 121+days | 12,056,021 | 7,159,569 | 6,433,186 |
| Sub-total | 34,953,780 | 55,941,312 | 19,713,131 |
| Less provision for bad debt | (9,285,643) | (5,514,357) | - |
| Total debtors by customer classification | 25,668,137 | 50,426,955 | 19,713,131 |

| | | | |
|---|-------------------|-------------------|-------------------|
| 30 June 2008 | | | |
| Current (0 - 30) days | 14,856,354 | 38,834,364 | 8,969,607 |
| 31 - 60 days | 1,763,225 | 1,776,136 | 899,605 |
| 61- 90 days | 1,289,302 | 785,945 | 553,096 |
| 91 - 120 days | 818,852 | 562,675 | 508,969 |
| 121+days | 11,884,737 | 7,057,850 | 6,341,788 |
| Sub-total | 30,612,470 | 49,016,970 | 17,273,065 |
| Less provision for bad debt | (10,916,905) | (6,483,095) | - |
| Total debtors by customer classification | 19,695,565 | 42,533,875 | 17,273,065 |

| | 2009 | 2008 |
|---|-------------------|-------------------|
| | R | R |
| Reconciliation of the bad debt provision | | |
| Balance at beginning of the year | 17,400,000 | 17,257,817 |
| Contributions to provision | (2,469,735) | 1,651,008 |
| Bad debts written off against provision | (130,265) | (1,508,825) |
| Balance at end of year | 14,800,000 | 17,400,000 |

12NON-CURRENT RECEIVABLES

| | | |
|--|----------------|------------------|
| Housing loans | 343,609 | 682,787 |
| Study loans | 783,254 | 1,929,430 |
| Car loans | 7,301 | 44,904 |
| | 1,134,164 | 2,657,121 |
| Less: Current portion transferred to Current Assets | (759,234) | (754,841) |
| Total Receivables | 374,930 | 1,902,280 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|-------------------|------------------|
| 13 OTHER RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS | | |
| Payments made in advance | 460,720 | 333,253 |
| Government subsidies and other debtors | 2,951,382 | 1,192,956 |
| Other receivables | 12,967,096 | 7,056,237 |
| Total Other Debtors | 16,379,198 | 8,582,446 |

Housing Loans , car loans and study loans were made in terms of council policies on these schemes. No new housing or car loans have been granted since the effective implementation date of the Municipal Finance Management Act of 2003. There are no significant terms or conditions that will affect the timeous recovery of these amounts.

14 BANK, CASH AND OVERDRAFT BALANCES

Bank accounts

The municipality has the following bank accounts:

Current Account (Primary Account)

ABSA Bank - Richards Bay

Current /Cheque Account number 2150000028

| | | |
|--|------------|------------|
| Cash book balance at beginning of year | 12,025,415 | 20,972,900 |
| Cash book balance at end of year | 16,025,986 | 12,025,415 |

| | | |
|---|------------|------------|
| Bank statement balance at beginning of year | 11,894,025 | 27,319,920 |
| Bank statement balance at end of year | 16,279,815 | 11,894,025 |

Deposit Account

ABSA Bank - Richards Bay

Current/Deposit Account number 2150000095

| | | |
|--|------------|------------|
| Cash book balance at beginning of year | 19,926,900 | 8,500,114 |
| Cash book balance at end of year | 28,417,922 | 19,926,900 |

| | | |
|---|------------|------------|
| Bank statement balance at beginning of year | 18,102,648 | 7,600,525 |
| Bank statement balance at end of year | 25,351,662 | 18,102,648 |

Hostel Account

ABSA Bank - Richards Bay

Current/Deposit Account number 90 8291 6767

| | | |
|--|------------|------------|
| Cash book balance at beginning of year | 16,725,502 | 15,393,137 |
| Cash book balance at end of year | 18,424,804 | 16,725,502 |

| | | |
|---|------------|------------|
| Bank statement balance at beginning of year | 16,725,502 | 15,393,137 |
| Bank statement balance at end of year | 18,424,804 | 16,725,502 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 |
|--|----------------|----------------|
| | R | R |
| 14BANK, CASH AND OVERDRAFT BALANCES (continued) | | |
| Housing Account - Brackenham | | |
| ABSA Bank - Richards Bay | | |
| Current/Deposit Account number 91 2361 5121 | | |
| Cash book balance at beginning of year | 3,486,049 | 2,920,494 |
| Cash book balance at end of year | 3,840,230 | 3,486,049 |
| Bank statement balance at beginning of year | 3,486,049 | 2,920,494 |
| Bank statement balance at end of year | 3,840,230 | 3,486,049 |
| Housing Account - Ngwelezane | | |
| ABSA Bank - Richards Bay | | |
| Current /Cheque Account number 91 7137 3496 | | |
| Cash book balance at beginning of year | 1,419,616 | 1,419,616 |
| Cash book balance at end of year | 1,719,523 | 1,560,933 |
| Bank statement balance at beginning of year | 1,419,616 | 1,419,616 |
| Bank statement balance at end of year | 1,719,523 | 1,560,933 |
| Housing Account - Pionierhof | | |
| ABSA Bank - Richards Bay | | |
| Current/Deposit Account number 90 9224 7889 | | |
| Cash book balance at beginning of year | 9,809,129 | 9,809,129 |
| Cash book balance at end of year | 11,460,333 | 10,403,415 |
| Bank statement balance at beginning of year | 9,809,129 | 9,809,129 |
| Bank statement balance at end of year | 11,460,333 | 10,403,415 |
| Conditional Grants | | |
| ABSA Bank - Richards Bay | | |
| Current/Deposit Account number 91 7137 3917 | | |
| Cash book balance at beginning of year | 20,517,523 | 20,517,523 |
| Cash book balance at end of year | 35,505,732 | 32,230,937 |
| Bank statement balance at beginning of year | 32,230,937 | 20,517,523 |
| Bank statement balance at end of year | 35,505,732 | 32,230,937 |
| Petty Cash | | |
| Balance at beginning of year | 32,950 | 25,450 |
| Balance at end of year | 33,350 | 32,950 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|----------------------------------|-----------------------|----------------------|
| 15 PROPERTY RATES | | |
| Actual | | |
| Residential | 47,262,041 | 32,939,217 |
| Commercial | 68,521,512 | 64,900,166 |
| State | 9,284,573 | 6,302,080 |
| Total Assessment Rates | 125,068,126 | 104,141,463 |
| Property Valuations | | |
| Residential | 14,108,851,898 | 771,392,300 |
| Commercial | 8,982,094,700 | 1,318,807,550 |
| State | 2,424,496,900 | 133,792,000 |
| Municipal | 1,453,182,700 | - |
| Total Property Valuations | 26,968,626,198 | 2,223,991,850 |

The first valuation in terms of the Property Rates Act No 6 of 2004 came into effect on 01 July 2008. Valuations were performed on land and buildings together. Two supplementary valuations and objections in terms of the new Act were processed during the financial year. The following rate randage and ratio to residential tariff were applied:

| Predominant Use | Rate Randage | Ratio to Residential Tariff |
|--|---------------------|--|
| Residential Properties | 0,00412 | 1:1 |
| Business, Commercial and Industrial Properties and Mining | 0,00824 | 1:2 |
| Agricultural Properties | 0,00113 | 1:0,25 |
| Agricultural Properties (business) | 0,00824 | 1:2 |
| State Trust land | 0,00412 | 1:1 |
| State Owned Properties | 0,00412 | 1:1 |
| Public Service Infrastructure | 0,00412 | 1:1 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

15 PROPERTY RATES (continued)

Subject to the provisions contained in the Rate Policy and upon application the following rebates were applied:

Agricultural Properties - 5%
Public Benefit Organisations - 100%
Sporting Bodies - 100%
Pensioners - 20%

In addition to the statutory R15 000 reduction in the valuation on residential properties, a further reduction of R85 000 of the valuation on all developed residential properties was made.

Rates are levied on a monthly basis but upon request can be levied annually. The final date for payment of rates that are levied on an annual basis, is 30 September of each year and 30 June for monthly rate payers. Interest of prime plus 1% per annum is levied on outstanding rates.

| | 2009 R | 2008 R |
|---------------------------------|--------------------|--------------------|
| 16 SERVICE CHARGES | | |
| Sale of electricity | 456,454,558 | 323,016,499 |
| Sale of water | 92,439,949 | 80,900,312 |
| Surcharge on water | 4,754,329 | - |
| Refuse removal | 32,950,960 | 29,089,147 |
| Sewerage and sanitation charges | 45,466,281 | 42,606,267 |
| Total Service Charges | 632,066,077 | 475,612,225 |

17 GOVERNMENT GRANTS AND SUBSIDIES

| | | |
|---|------------|------------|
| Equitable Share | 95,131,764 | 72,007,975 |
| National Conditional Grants | 2,439,537 | 2,075,194 |
| Provincial Health Subsidies | 5,107,500 | 3,064,500 |
| Provincial Casino Levies Subsidies | - | 1,245,000 |
| Provincial Local Government Grants | 1,207,810 | 234,586 |
| Provincial Department of Public Works | - | 80,909,917 |
| Provincial Department of Housing | - | 57,354,000 |
| Provincial Housing Grants | 5,003,437 | 343,033 |
| Provincial Library Service Subsidies | 854,260 | 1,414,129 |
| Provincial Museum Services Subsidies | 62,972 | 72,000 |
| Provincial Community Development Workers Programme | 1,224 | 12,498 |
| Department of Sport & Recreation | 876,051 | - |
| Department of Water Affairs - Cleanest Town Award | 1,279 | - |
| Department of Water Affairs - Water Services Programme | - | 160,630 |
| Department of Water Affairs - Refurbishment Grant | 848,960 | - |
| Department of Water Affairs (DWA) Water Conservation and Demand | 357,957 | - |
| Department of Water Affairs - Institutional Support Programme Grant | 795,000 | 121,422 |
| Department of Agriculture and Environmental Affairs | - | 109,047 |
| Department of Minerals and Energy | 2,947,589 | 1,273,848 |
| Municipal Infrastructure Grant (incl SMIF allocation) | 44,190,470 | 29,257,469 |
| Municipal Infrastructure Grant (Disaster Relief) | - | 116,894 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|---|--------------------|--------------------|
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| uThungulu District Municipality Environmental Health service | 1,319,418 | 879,612 |
| uThungulu District Municipality Capacity Building Grants | - | 109,023 |
| uThungulu District Municipality Management of Cemeteries | 808,218 | 835,873 |
| uThungulu District Municipality Infrastructure Grant | - | 48,488 |
| uThungulu District Municipality Infrastructure Grant | | (1,057,593) |
| uThungulu District Municipality Local Aids Launch Subsidy | - | 10,000 |
| uThungulu District Municipality United Nations Development Programmes | 1,993 | - |
| uThungulu District Municipality Infrastructure Grant (2010 Stadium) | 6,278,782 | - |
| Total Government Grants & Subsidies | 168,234,221 | 250,597,545 |

17.1 Equitable Share

In terms of the Constitution, this allocation is to provide for an equitable sharing of National Revenue. It is primarily for the provision of Basic Services

17.2 National Conditional Grants

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 5,505,339 | 7,080,533 |
| Current year receipts | 900,000 | 500,000 |
| Conditions met - transferred to revenue | (2,439,537) | (2,075,194) |
| Conditions still to be met - transferred to liabilities | 3,965,802 | 5,505,339 |

National Conditional Grants are allocated in terms of the Division of Revenue Act. The Financial Management Grant is used to promote support reforms to financial management and the implementation of the Municipal Finance Management Act. The Restructuring Grant received in 2002, 2003, 2004 from National Treasury has been earmarked for certain projects that will improve the local economy. The Municipal Systems Improvement Grant is used to assist in building in-house capacity to perform their functions and stabilise institutional and governance systems as required in the Municipal Systems Act.

17.3 Provincial Health Subsidies

| | | |
|---|-------------|-------------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 5,107,500 | 3,064,500 |
| Conditions met - transferred to revenue | (5,107,500) | (3,064,500) |
| Conditions still to be met - transferred to liabilities | - | - |

The municipality renders health services on behalf of the Provincial Government and is refunded approximately 35% of total expenditure incurred. This grant has been used exclusively to fund clinic services. The conditions of the grant have been met. There are no funds withheld.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|---|-----------|-------------|
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.4 Provincial Casino Levies Subsidies | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | 1,245,000 |
| Conditions met - transferred to revenue | - | (1,245,000) |
| Conditions still to be met - transferred to liabilities | - | - |

The purpose of the allocation is to pay over the outstanding amounts for the prescribed Local Government levies due to the respective municipalities for the period 2003/04 to 2006/07. There was no delay or withholding of the subsidy.

17.5 Provincial Local Government Grants

| | | |
|---|----------------|------------------|
| Balance unspent at beginning of year | 1,980,784 | 2,215,370 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | (1,207,810) | (234,586) |
| Conditions still to be met - transferred to liabilities | 772,974 | 1,980,784 |

Provincial Local Government grants are used to implement, administrative and financial municipal framework and to provide a municipal infrastructure framework. The grants are spent in accordance with a business plan approved by the Provincial Government.

17.6 Provincial Development Planning Grants

| | | |
|---|----------------|---------------|
| Balance unspent at beginning of year | 37,201 | 37,201 |
| Current year receipts | 100,000 | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - transferred to liabilities | 137,201 | 37,201 |

Provincial Development Planning grants are used to promote informed integrated planning and development in the province. The grants are spent in accordance with a business plan approved by the Provincial Government.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 |
|---|------|---------------|
| | R | R |
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.7 Provincial Department of Public Works/Housing | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | 138,263,917 |
| Conditions met - transferred to revenue | - | (138,263,917) |
| Conditions still to be met - transferred to liabilities | - | - |

First time take over of donated assets from Department of Public Works and Housing.

17.8 Provincial Housing Grants

| | | |
|---|-------------------|-------------------|
| Balance unspent at beginning of year | 16,699,285 | 15,510,056 |
| Current year receipts | 340,125 | - |
| Conditions met - transferred to revenue | (5,003,437) | (343,033) |
| Interest Received | 1,699,302 | 1,532,262 |
| Conditions still to be met - transferred to liabilities | 13,735,275 | 16,699,285 |

Provincial Housing grants were allocated to assist in the refurbishment of various hostels. The grants are spent in accordance with a business plan approved by the Provincial Government. Funds were also provided for the Municipality to implement the Enhanced Extended Discount Benefit Scheme. No funds have been withheld.

17.9 Provincial Library Services Subsidies

| | | |
|---|----------------|----------------|
| Balance unspent at beginning of year | 411,998 | - |
| Current year receipts | 720,541 | 1,826,127 |
| Conditions met - transferred to revenue | (854,260) | (1,414,129) |
| Conditions still to be met - transferred to liabilities | 278,279 | 411,998 |

Provincial Library Grants were allocated to subsidise the purchase of equipment for various libraries. A subsidy was also received to assist in the construction of the Empangeni Library Study Hall. Funds were also provided to refurbish the old community hall at Felixton into a library. Further funding was also received for the installation of computer hardware and software for public internet access, the cost of the internet connectivity, furniture to house these computers and salaries for the employment of "cyber-cadets". The subsidies are spent in accordance with a business plan approved by the Provincial Government. No funds have been withheld.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|-----------|-----------|
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.10 Provincial Museum Services Subsidies | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 62,972 | 72,000 |
| Conditions met - transferred to revenue | (62,972) | (72,000) |
| Conditions still to be met - transferred to liabilities | - | - |
| <p>Department of the Premier allocates a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.</p> | | |
| 17.11 Provincial Community Development Workers Programme | | |
| Balance unspent at beginning of year | 30,935 | 43,433 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | (1,224) | (12,498) |
| Conditions still to be met - transferred to liabilities | 29,711 | 30,935 |
| <p>Department of Local Government and Traditional Affairs allocated funds to Council for the administration the Community Development Workers Programme. No funds have been withheld.</p> | | |
| 17.12 Provincial Department of Transport Subsidy | | |
| Balance unspent at beginning of year | 167,279 | 167,279 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - transferred to liabilities | 167,279 | 167,279 |
| <p>Provincial Department of Transport provided for a subsidy for Pedestrian Safety Project. Provincial Department of Transport Subsidy for the reimbursement of expenses paid for the relocation of the Empangeni Licensing Offices. No funds have been withheld</p> | | |
| 17.13 Department of Water Affairs (DWAF) Cleanest Town Award | | |
| Balance unspent at beginning of year | 70,507 | 139,967 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | (1,279) | (69,460) |
| Conditions still to be met - transferred to liabilities | 69,228 | 70,507 |
| <p>Department of Water Affairs Cleanest Town Award. Funds will be used on a recycling project. No funds have been withheld.</p> | | |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|----------------|----------------|
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.14 Department of Water Affairs (DWAf) Water Services Programme | | |
| Balance unspent at beginning of year | 255,307 | 415,937 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | (160,630) |
| Conditions still to be met - transferred to liabilities | <u>255,307</u> | <u>255,307</u> |

Department of Water Affairs Sector Institutional Support and Capacity Building Initiatives in support of Water Services Authority and Water Service Provider functions. The grants are spent in accordance with an approved business proposal.

17.15 Department of Water Affairs (DWAf) Refurbishment Grant

| | | |
|---|------------------|------------------|
| Balance unspent at beginning of year | 6,178,000 | - |
| Current year receipts | - | 6,178,000 |
| Conditions met - transferred to revenue | (848,960) | - |
| Conditions still to be met - transferred to liabilities | <u>5,329,040</u> | <u>6,178,000</u> |

Department of Water Affairs Refurbishment Grant and Subsidy for Water Services Works. The grant is spent in accordance with an approved business plan.

17.16 Department of Water Affairs (DWAf) Institutional Support Programme Grant

| | | |
|---|----------------|------------------|
| Balance unspent at beginning of year | 1,078,578 | 1,200,000 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | (795,000) | (121,422) |
| Conditions still to be met - transferred to liabilities | <u>283,578</u> | <u>1,078,578</u> |

Department of Water Affairs Support Project Grant for Institutional Support & Capacity Building. The grant is spent in accordance with an approved business plan.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|---|-----------------------|-----------------------|
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.17 Department of Water Affairs (DWA) Water Conservation and Demand Management Grant | | |
| Balance unspent at beginning of year | 462,000 | - |
| Current year receipts | 1,200 | 462,000 |
| Conditions met - transferred to revenue | (357,957) | - |
| Conditions still to be met - transferred to liabilities | <u>105,243</u> | <u>462,000</u> |

Department of Water Affairs Water Conservation and Demand Management grant in support of capacity building and institutional support. The grant is spent in accordance with an approved business plan.

17.18 Municipal Infrastructure Grant (MIG)

| | | |
|---|--------------------------|--------------------------|
| Balance unspent at beginning of year | 10,158,828 | 7,743,619 |
| Current year receipts | 52,131,703 | 31,672,678 |
| Conditions met - transferred to revenue | (44,190,470) | (29,257,469) |
| Conditions still to be met - transferred to liabilities | <u>18,100,061</u> | <u>10,158,828</u> |

This grant was used to construct water and sewerage infrastructure as part of the upgrading of informal settlement areas. No funds have been withheld.

17.19 Municipal Infrastructure Grant (MIG) (Disaster Relief)

| | | |
|---|----------|-----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | 116,894 |
| Conditions met - transferred to revenue | - | (116,894) |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>-</u> |

This grant was provided following storm and tidal surges in March 2007.

17.20 uThungulu District Municipality Environmental Health Costs

| | | |
|---|-------------|-----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1,319,418 | 879,612 |
| Conditions met - transferred to revenue | (1,319,418) | (879,612) |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>-</u> |

The function to provide environmental health services was transferred to the District Municipality. Council is still performing this function on behalf of the District Municipality. In terms of a service level agreement the District Municipality allocates a portion of their Equitable Share allocation.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|----------------|----------------|
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.21 uThungulu District Municipality Capacity Building Grant | | |
| Balance unspent at beginning of year | 130,977 | 240,000 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | (109,023) |
| Conditions still to be met - transferred to liabilities | <u>130,977</u> | <u>130,977</u> |

uThungulu District Council allocated funds for capacity building grants. No funds have been withheld.

17.22 uThungulu District Municipality Administration of Regional Cemeteries

| | | |
|---|-----------|-----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 808,218 | 835,873 |
| Conditions met - transferred to revenue | (808,218) | (835,873) |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>-</u> |

Council administers the Regional Cemetery on behalf of uThungulu District Council in terms of a service level agreement. No funds have been withheld.

17.23 uThungulu District Municipality Museum Operating Subsidy

| | | |
|---|---------------|---------------|
| Balance unspent at beginning of year | 36,756 | 36,756 |
| Current year receipts | - | - |
| Conditions met - transferred to revenue | - | - |
| Conditions still to be met - transferred to liabilities | <u>36,756</u> | <u>36,756</u> |

uThungulu District Council allocated a subsidy to assist in the daily running of the Empangeni Museum. No funds have been withheld.

17.24 uThungulu District Council Infrastructure Grant

| | | |
|---|----------|-------------|
| Balance unspent at beginning of year | - | 48,488 |
| Current year receipts | - | (1,057,593) |
| Conditions met - transferred to revenue | - | 1,009,105 |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>-</u> |

uThungulu District Council provided a grant to partially fund the Nseleni Bulk Water Supply Project and a further grant for capital projects in the IDT area. No funds have been withheld.

Incorrect capitalisation of the Mtunzini bulk water pipeline as per audit findings for the 2006/2007 financial year. Reversal processed in 2007/2008 financial year.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|-------------|-----------|
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.25 uThungulu District Council Infrastructure Grant (2010 Stadium) | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 6,278,782 | - |
| Conditions met - transferred to revenue | (6,278,782) | - |
| Conditions still to be met - transferred to liabilities | - | - |
| uThungulu District Council contributed to the construction of the 2010 Stadium. This contribution together with Council's contribution is disclosed as capital under construction. | | |
| 17.26 uThungulu District Council Local Aids Launch Subsidy | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | - | 10,000 |
| Conditions met - transferred to revenue | - | (10,000) |
| Conditions still to be met - transferred to liabilities | - | - |
| uThungulu District Council provided a subsidy to partially fund the Local Aids Launch. | | |
| 17.27 uThungulu District Council United Nations Development Programme fight against HIV/AIDS | | |
| Balance unspent at beginning of year | - | - |
| Current year receipts | 1,993 | - |
| Conditions met - transferred to revenue | (1,993) | - |
| Conditions still to be met - transferred to liabilities | - | - |
| uThungulu District Council donated assets inherited from United Nations Development Programme. | | |
| 17.28 Department of Agriculture and Environmental Affairs | | |
| Balance unspent at beginning of year | 90,953 | - |
| Current year receipts | 200,000 | 200,000 |
| Conditions met - transferred to revenue | - | (109,047) |
| Conditions still to be met - transferred to liabilities | 290,953 | 90,953 |
| Department of Agriculture and Environmental affairs provided a subsidy for a recycling project. The grants are spent in accordance with an approved business proposal. | | |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 | 2008 |
|---|-------------|-----------------------|
| | R | R |
| 17 GOVERNMENT GRANTS AND SUBSIDIES (continued) | | |
| 17.29 Department of Minerals & Energy | | |
| Balance unspent at beginning of year | 326,152 | 235,000 |
| Current year receipts | 2,621,437 | 1,365,000 |
| Conditions met - transferred to revenue | (2,947,589) | (1,273,848) |
| Conditions still to be met - transferred to liabilities | <u>-</u> | <u>326,152</u> |

Department of Minerals & Energy in support of Electrification Projects. The grants are spent in accordance with an approved business proposal.

17.30 Department of Sport and Recreation

| | | |
|---|----------------------|----------|
| Balance unspent at beginning of year | - | - |
| Current year receipts | 949,195 | - |
| Conditions met - transferred to revenue | (876,051) | - |
| Conditions still to be met - transferred to liabilities | <u>73,144</u> | <u>-</u> |

Funds were received for the upgrade of the Vulindlela Sports Facility. The grants are spent in accordance with an approved business proposal.

17.31 Changes in levels of government grants

Based on the allocations set out in the Division of Revenue Act, (Act No.2 of 2007), no significant changes in the level of government grant funding are expected over the forthcoming 3 financial years. The Provincial Department of Health plans to take over the Municipal Primary Health care services. A Service Level Agreement has been signed with Province so that service delivery can be maintained.

18 OTHER INCOME

| | | |
|---------------------------|--------------------------|--------------------------|
| Buiding Plans | 1,000,184 | 1,513,488 |
| Extension Fees | 11,090,077 | 10,749,842 |
| Connection Fees | 2,459,871 | 2,392,745 |
| Sundries | 10,533,394 | 9,086,580 |
| Stock Surplus | 55,796 | 14,251 |
| Total Other Income | <u>25,139,322</u> | <u>23,756,906</u> |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

19EMPLOYEE RELATED COSTS

| | | |
|---|--------------------|--------------------|
| Employee related costs - Salaries and Wages | 173,057,041 | 157,949,936 |
| Employee related costs - Contributions for UIF, pensions and medical aids | 46,107,534 | 41,884,161 |
| Travel, motor car, accommodation, subsistence and other allowances | 24,503,946 | 23,661,722 |
| Housing benefits and allowances | 7,219,607 | 8,107,672 |
| Overtime payments | 24,131,247 | 19,898,986 |
| Performance bonus | 733,950 | 158,890 |
| Leave Payments | 6,753,654 | 5,978,989 |
| Less: Employee costs capitalised to Property, Plant and Equipment | (2,179,670) | (2,541,130) |
| Total Employee Related Costs | 280,327,309 | 255,099,226 |

There were no advances to employees. Loans to employees are set out in note 13.

Remuneration of the Municipal Manager

| | | |
|---|------------------|----------------|
| Annual Remuneration | 658,507 | 588,587 |
| Performance Bonuses | 117,938 | 109,724 |
| Housing Subsidy | 65,534 | 65,534 |
| Travel Allowance | 188,294 | 188,294 |
| Contributions to UIF, Medical and Pension Funds | 1,497 | 1,440 |
| Total | 1,031,770 | 953,579 |

Remuneration of Individual Executive Directors

| | Deputy Municipal Manager | Snr Manager Community Services | Snr Manager Technical Services |
|---|---|---|---|
| | R | R | R |
| 30 June 2009 | | | |
| Annual Remuneration | 451,985 | 138,000 | 49,167 |
| Annual Bonus | - | - | - |
| Entertainment | - | - | - |
| Performance Bonuses | - | - | - |
| Housing Subsidy | - | - | - |
| Travel Allowance | 81,546 | 38,514 | 11,158 |
| Contributions to UIF, Medical and Pension Funds | 45,094 | 29,641 | 8,393 |
| Total | 578,625 | 206,155 | 68,718 |

Newly created positions. No comparative information.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

19EMPLOYEE RELATED COSTS (continued)

| | Chief Financial Officer | City Engineer | City Electrical Engineer |
|---|--|--------------------------|---|
| | R | R | R |
| 30 June 2009 | | | |
| Annual Remuneration | 177,662 | 649,834 | 407,376 |
| Annual Bonus | - | - | - |
| Entertainment | - | - | - |
| Performance Bonuses | 94,607 | - | 94,607 |
| Housing Subsidy | 25,274 | - | 50,547 |
| Travel Allowance | 150,289 | 239,860 | 194,075 |
| Contributions to UIF, Medical and Pension Funds | 13,473 | 186,878 | 81,396 |
| Total | 461,305 | 1,076,572 | 828,001 |

| | | | |
|---|----------------|----------------|----------------|
| 30 June 2008 | | | |
| Annual Remuneration | 326,790 | 477,268 | 374,663 |
| Annual Bonus | - | - | - |
| Entertainment | - | - | - |
| Performance Bonuses | - | - | 49,166 |
| Housing Subsidy | 46,674 | - | 46,674 |
| Travel Allowance | 274,745 | 128,748 | 178,504 |
| Contributions to UIF, Medical and Pension Funds | 26,355 | 158,548 | 74,725 |
| Total | 674,564 | 764,564 | 723,732 |

Remuneration of Individual Executive Directors

| | Management Services | Corporate Services | Planning & Sustainable Development |
|---|--------------------------------|-------------------------------|---|
| | R | R | R |
| 30 June 2009 | | | |
| Annual Remuneration | 355,324 | 175,971 | 355,324 |
| Annual Bonus | - | 39,131 | - |
| Entertainment | - | 700 | - |
| Performance Bonuses | - | 90,696 | 94,607 |
| Housing Subsidy | 50,548 | 4,326 | 50,548 |
| Travel Allowance | 285,228 | 88,946 | 285,228 |
| Contributions to UIF, Medical and Pension Funds | 42,295 | 65,905 | 42,295 |
| Total | 733,395 | 465,675 | 828,002 |

| | | | |
|---|----------------|----------------|----------------|
| 30 June 2008 | | | |
| Annual Remuneration | 324,291 | 324,970 | 326,790 |
| Annual Bonus | 22,967 | 27,081 | - |
| Entertainment | - | 1,400 | - |
| Performance Bonuses | - | - | - |
| Housing Subsidy | 39,135 | 21,662 | 46,674 |
| Travel Allowance | 148,676 | 156,325 | 264,419 |
| Contributions to UIF, Medical and Pension Funds | 82,308 | 117,867 | 36,682 |
| Total | 617,377 | 649,305 | 674,565 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

19EMPLOYEE RELATED COSTS (continued)

| | Community Facilitation & Marketing | Community Services & Health | Parks Sports & Recreation |
|---|---|--|--|
| | R | R | R |
| 30 June 2009 | | | |
| Annual Remuneration | 351,942 | 351,942 | 351,942 |
| Annual Bonus | 29,329 | 29,329 | 29,329 |
| Entertainment | 1,400 | 1,400 | 1,400 |
| Performance Bonuses | 94,715 | 55,320 | 91,460 |
| Housing Subsidy | 44,728 | 5,183 | 26,880 |
| Travel Allowance | 176,840 | 157,416 | 176,729 |
| Contributions to UIF, Medical and Pension Funds | 137,682 | 116,482 | 133,272 |
| Total | 836,636 | 717,072 | 811,012 |

30 June 2008

| | | | |
|---|----------------|----------------|----------------|
| Annual Remuneration | 324,970 | 324,970 | 324,970 |
| Annual Bonus | 27,081 | 27,081 | 27,081 |
| Entertainment | 1,400 | 1,400 | 1,400 |
| Performance Bonuses | - | - | - |
| Housing Subsidy | 41,925 | - | 23,940 |
| Travel Allowance | 155,522 | 155,820 | 156,325 |
| Contributions to UIF, Medical and Pension Funds | 127,118 | 106,879 | 121,047 |
| Total | 678,016 | 616,150 | 654,763 |

20REMUNERATION OF COUNCILLORS

| | | |
|---------------------------------------|-------------------|-------------------|
| Mayor | 504,126 | 457,615 |
| Deputy Mayor | 406,949 | 366,843 |
| Speaker | 406,781 | 365,658 |
| Executive Committee Members | 3,056,803 | 2,666,517 |
| Councillors | 7,672,705 | 6,846,876 |
| Councillors pension contribution | 1,165,763 | 1,038,395 |
| Total Councillors Remuneration | 13,213,127 | 11,741,904 |

The Speaker, Chief Whip and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council. The Mayor is also provided with a vehicle for business use at the cost of the Council.

21FINANCE COSTS

| | | |
|--|-------------------|-------------------|
| Long-term liabilities | 68,252,938 | 44,787,085 |
| Total Interest on External Borrowings | 68,252,938 | 44,787,085 |

22BULK PURCHASES

| | | |
|-----------------------------|--------------------|--------------------|
| Electricity | 347,371,879 | 205,147,797 |
| Water | 40,003,208 | 34,474,835 |
| Total Bulk Purchases | 387,375,087 | 239,622,632 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|------------------|-------------------|
| 23 GRANTS AND SUBSIDIES PAID | | |
| Richards Bay Country Club | 393,338 | 463,951 |
| S P C A | 245,500 | 233,100 |
| uMhlathuze Tourism Association | 329,009 | 87,887 |
| Richards Bay Bowling Club | 68,028 | - |
| Zululand Expo | 19,500 | 16,228 |
| uThungulu Community | - | 20,000 |
| Sundries | 111,834 | 56,680 |
| Department of Transport (Contribution for the construction of the John Ross Highway disclosure in terms of Section 123 (1)(b)(ii) of the MFMA) | - | 10,000,000 |
| Total Grants and Subsidies | 1,167,209 | 10,877,846 |

24 CASH GENERATED FROM OPERATIONS

| | | |
|---|--------------------|--------------------|
| Surplus for the year | (70,693,097) | 80,305,318 |
| Adjustment for: | | |
| Depreciation | 86,514,951 | 93,526,452 |
| Amortisation | 1,369,758 | 1,032,541 |
| Post employment benefit expenses | 1,751,000 | - |
| Sale of land (revaluation realised) | - | 53,861,883 |
| Grants received (Ex R293 properties excluded as non cash) | - | (114,199,000) |
| Other grants received (excluded as non cash) | (6,280,775) | |
| (Gain)/Loss on disposal of property, plant and equipment | (55,652) | (2,711,304) |
| Movement in bad debt provision | (2,600,000) | 142,183 |
| Investment income | (16,614,284) | (17,359,709) |
| Interest paid | 68,252,938 | 44,787,085 |
| Operating surplus before working capital changes: | 61,644,839 | 139,385,449 |
| Decrease/ (Increase) in inventories | 40,362,040 | (1,669,020) |
| (Increase)/ in debtors | (13,705,717) | (5,549,209) |
| (Increase)/ Decrease in other debtors | (7,796,754) | 5,518,479 |
| Increase in conditional grants and receipts | 139,929 | 8,576,700 |
| Increase in creditors | 50,154,043 | 31,921,671 |
| (Increase)/ decrease in VAT claimable | (10,186,309) | 1,287,990 |
| (Decrease)/ increase in consumer deposits | (415,927) | 4,219,919 |
| Cash generated from operations | 120,196,146 | 183,691,979 |

| | 2009 R | 2008 R |
|--|-----------|-----------|
|--|-----------|-----------|

25 BANK BALANCES AND CASH

Cash and cash equivalents included in the cash flow statement comprise the following statement of amounts indicating financial position

| | | |
|-------------------------------------|--------------------|-------------------|
| Bank balances and cash | 115,427,879 | 96,392,101 |
| Total bank balances and cash | 115,427,879 | 96,392,101 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|---|-----------|-----------|
| 26 UNAUTHORISED, IRREGULAR AND WASTEFUL EXPENDITURE DISALLOWED | | |
| Unauthorised expenditure | | |
| Reconciliation of unauthorised expenditure | | |
| Unauthorised expenditure current year | - | 452,992 |
| Approved by Council or condoned | - | (452,992) |
| Unauthorised expenditure awaiting authorisation | - | - |

27 WATER LOSSES

Water losses for uMhlathuze Municipality calculated at an average cost per kilolitre amounts to (14639044 kl @ R2.50 per kl):

36,595,611

Losses can be accounted for primarily through: illegal connections, rural areas not yet connected to billing system and operational usage through new reticulation systems.

**28 ADDITIONAL DISCLOSURES IN TERMS OF THE
MUNICIPAL FINANCE MANAGEMENT ACT**

28.1 Contributions to SALGA

| | | |
|-----------------------|-------------|-------------|
| Council subscriptions | 1,250,923 | 1,158,878 |
| Amount paid | (1,250,923) | (1,158,878) |

28.2 Audit fees

| | | |
|----------------------------|-----------|-----------|
| Amount paid - current year | 1,521,228 | 1,476,722 |
|----------------------------|-----------|-----------|

28.3 PAYE and UIF

| | | |
|---|------------------|------------------|
| Opening balance | 2,331,358 | |
| Current year payroll deductions | 33,646,359 | 28,974,654 |
| Amount paid - current year | (30,933,754) | (26,643,296) |
| Amount paid - previous year | (2,331,358) | - |
| Balance unpaid (included in creditors) | 2,712,605 | 2,331,358 |

The balance represents June's contribution paid over in July.

28.4 Pension and Medical Aid Deductions

| | | |
|---|------------------|------------------|
| Opening balance | 3,248,282 | 88 |
| Current year payroll deductions | 65,562,508 | 58,240,350 |
| Amount paid - current year | (62,215,154) | (54,992,156) |
| Amount paid - previous year | (3,248,282) | - |
| Balance unpaid (included in creditors) | 3,347,354 | 3,248,282 |

The balance represents continued members contributions received in advance.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|--|-----------|-----------|
|--|-----------|-----------|

28 ADDITIONAL DISCLOSURE (continued)

28.5 Councillor's Arrear Consumer Accounts

The following Councillors had arrear accounts outstanding for more than 90 days as at 30 June 2009

| | Total | Outstanding Less Than 90 Days | Outstanding More Than 90 Days |
|---|----------|-------------------------------------|----------------------------------|
| None | - | - | - |
| Total Councillor Arrear Consumer Account | - | - | - |

30 June 2008

| | | | |
|---|--------------|--------------|--------------|
| Councillor Gumede TN | 911 | 741 | 170 |
| Councillor Mbanjwa N | 873 | 25 | 848 |
| Councillor Mtshali D | 7,539 | 7,539 | - |
| Total Councillor Arrear Consumer Account | 9,323 | 8,305 | 1,018 |

During the year the following Councillor's had arrears accounts outstanding for more than 90 days.

| | Highest Amount Outstanding | Ageing |
|----------------------|----------------------------------|----------|
| 30 June 2009 | | |
| Councillor Mtshali D | 1,169 | 120 days |
| Councillor Gumede TN | 660 | 150 days |
| Councillor Mtshali D | 15,015 | 150 days |
| 30 June 2008 | | |
| Councillor Gumede TN | 170 | 120 days |
| Councillor Mbanjwa N | 848 | 990 days |

29 CAPITAL COMMITMENTS

Commitments in respect of capital expenditure:

| | | |
|-------------------------------------|--------------------|--------------------|
| Approved and contracted for | 278,161,232 | 259,118,363 |
| Approved but not yet contracted for | 311,934,468 | 300,349,537 |
| Total capital commitments | 590,095,700 | 559,467,900 |

This expenditure will be financed from:

| | | |
|------------------|--------------------|--------------------|
| Internal Sources | 324,746,800 | 282,112,700 |
| External Loans | 188,349,400 | 200,807,200 |
| Grants | 76,999,500 | 76,548,000 |
| | 590,095,700 | 559,467,900 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|---|---------------------------|---------------------------|
| 30 CONTINGENT LIABILITIES AND CONTRACTUAL OBLIGATIONS | | |
| Guarantees by City of uMhlathuze in respect of building society and commercial bank housing loans to officials. | <u>8,354</u> | <u>257,897</u> |
| Guarantee by City of uMhlathuze in respect of Postal services. | <u>200,000</u> | <u>80,000</u> |
| Fountain Civil Engineering - disputed retention claims. | <u>-</u> | <u>398,000</u> |
| 31 Post Employment Medical Benefits | | |
| The Municipality operates a number of post employment medical benefit schemes in South Africa. A valuation of the obligation has been performed for the year ended 30 June 2009. | | |
| The amounts recognised in the Statements of Financial Position were determined as follows: | | |
| Present Value of the obligation | 130,707,000 | 128,956,000 |
| Unrecognised actuarial gain / (loss) | - | - |
| Liability in the Balance Sheet | <u>130,707,000</u> | <u>128,956,000</u> |
| Movements in the defined benefit obligation is as follows: | | |
| Balance at the beginning of the year | 128,956,000 | - |
| Current service cost | 11,538,000 | - |
| Interest cost | 13,730,000 | - |
| Benefits paid | (2,466,000) | - |
| Actuarial (gain) loss on obligation | (21,051,000) | - |
| | <u>130,707,000</u> | <u>-</u> |
| The amounts recognised in the Statement of Financial Performance were as follows: | | |
| Current service cost | 11,538,000 | - |
| Interest cost | 13,730,000 | - |
| Actuarial gain loss recognised during the year | (21,051,000) | - |
| Benefit paid | (2,466,000) | - |
| Net amount recognised in the Statement of Financial Performance | <u>1,751,000</u> | <u>-</u> |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

| | 2009 R | 2008 R |
|----------------------|-------------------|-------------------|
| 32 PROVISIONS | | |
| Staff leave | 9,196,951 | 9,498,743 |
| Staff Bonuses | 6,760,832 | 5,891,875 |
| | 15,957,783 | 15,390,618 |

33 EVENTS AFTER THE REPORTING DATE

No material facts and circumstances have occurred between the accounting date and the date of this report that would have an impact on the financial statements.

34 CHANGE IN ACCOUNTING POLICY

34.1 Reclassification of reserves to accumulated surplus

During the period ended 30 June 2009, City of uMhlathuze adopted GRAP 3, accounting policies, changes in accounting estimates and errors.

Reserves that were not cash backed have been transferred to accumulated surplus in line with the requirements of the standard.

The effects of this restatement are as follows:

| | |
|---|---------------|
| Capitalisation reserve | R |
| Balance as previously stated at 1 July 2007 | 194,570,086 |
| Balance transferred to accumulated surplus | (194,570,086) |
| Restated Balance at 30 June 2008 | - |
| Government Grant Reserve | |
| Balance as previously stated | 315,824,790 |
| Balance transferred to accumulated surplus | (315,824,790) |
| Restated Balance at 30 June 2008 | - |
| Donations and Public contributions | |
| Balance as previously stated | 254,788,248 |
| Balance transferred to accumulated surplus | (254,788,248) |
| Restated Balance at 30 June 2008 | - |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

34 CHANGE IN ACCOUNTING POLICY (continued)

Revaluation reserve

| | |
|------------------------------|-------------|
| Balance as previously stated | 655,903,807 |
|------------------------------|-------------|

| | |
|--|---------------|
| Balance transferred to accumulated surplus | (655,903,807) |
|--|---------------|

| | |
|---|----------|
| Restated Balance at 30 June 2008 | - |
|---|----------|

Restatement of accumulated surplus Accumulated Surplus

R

| | |
|------------------------------|------------|
| Balance as previously stated | 13,408,872 |
|------------------------------|------------|

| | |
|--------------------------------------|-------------|
| Transfer from Capitalisation reserve | 194,570,086 |
|--------------------------------------|-------------|

| | |
|--|-------------|
| Transfer from Government Grant reserve | 315,824,790 |
|--|-------------|

| | |
|--|-------------|
| Transfer from Donations and Public contributions reserve | 254,788,248 |
|--|-------------|

| | |
|--|------------|
| Correction of error-Land not previously recognised | 43,294,717 |
|--|------------|

| | |
|-----------------------------------|-------------|
| Transfer from Revaluation reserve | 655,903,807 |
|-----------------------------------|-------------|

| | |
|---|----------------------|
| Restated Balance at 30 June 2008 | 1,477,790,520 |
|---|----------------------|

| | |
|-------------------------------------|---------------|
| Post employment medical aid benefit | (128,956,000) |
|-------------------------------------|---------------|

| | |
|--|--------|
| Reversal of depreciation on capital under construction | 20,548 |
|--|--------|

| | |
|---|------------|
| Correction of error - Investment land not previously recognised | 20,824,944 |
|---|------------|

| | |
|--|----------------------|
| Restated Balance as at 30 June 2008 | 1,369,680,012 |
|--|----------------------|

Adoption of IAS 19 Employee Benefits

During the Year City of uMhlathuze adopted IAS 19 employee benefits, the standard requires that the obligation for post employment medical aid benefits be disclosed in the financial statements

The effects of this change in accounting policy, or the first time adoption of this accounting policy are as follows

Post employment medical aid obligation as previously disclosed in the financial statements

-

Post employment medical aid obligation as determined by actuarial valuation at the 30 June 2008

128,956,000

Restated Balance as at 30 June 2008

128,956,000

The balance has been restated to 1 July 2008, due to the fact that it is impracticable to restate back to periods prior to this.

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

35 PRIOR PERIOD ERROR

Restatement of Inventory for Land Held for sale

During the year, the municipality discovered land and sold that was previously not accounted for in the accounting records and also inventory land that was accounted under PPE.

The impact of this error is as follows:

| | R |
|--|--------------------|
| Balance as previously stated in the Financial statements | 10,717,292 |
| Land For sale not previously recognised | 43,294,717 |
| Land Transferred from PPE | 64,647,000 |
| Restated Inventory Balance at 30 June 2008 | 118,659,009 |

Restatement of Investment property, inventory and intangible incorrectly classified under Property, plant and equipment

During the year it was discovered that land was incorrectly classified as PPE, and should have been classified as Investment property, inventory and intangible assets.

The impact of this error is as follows:

Restatement of Property, plant and equipment (Cost)

| | |
|---|----------------------|
| Balance as previously stated | 2,070,914,385 |
| Transfer of Property plant and equipment to investment property | (56,001,000) |
| Transfer of Property plant and equipment to inventory | (64,647,000) |
| Transfer of Property, plant and equipment to intangible | (542,675) |
| Restated Balance at 30 June 2008 | 1,949,723,710 |

Restatement of Property, plant and equipment (Accumulated depreciation)

| | |
|---|--------------------|
| Balance previously stated | 775,358,379 |
| Reversal of depreciation on capital under construction (Community Assets) | (20,548) |
| Restated Balance at 30 June 2008 | 775,337,831 |

Restatement of Investment property (Cost)

During the year it was discovered that land for Investment Property was not brought in during 2007/2008 financial year.

The impact of this error is as follows:

| | |
|--|-------------------|
| Balance previously stated | 10,051,070 |
| Transfer of Property, plant and equipment to investment property | 56,001,000 |
| Correction of error - Land not previously recognised | 20,824,944 |
| Restated Balance at 30 June 2008 | 86,877,014 |

CITY OF uMHLATHUZE

NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

36 RELATED PARTY TRANSACTIONS

| | | | | BALANCE | 2008/2009 | 2008/2009 | BALANCE |
|---------------------------------|---|---------|--|-------------------|------------------|------------------|-------------------|
| | | | | 30/06/2008 | INTEREST | REPAYMENT | 30/06/2009 |
| 36.1 MOTOR VEHICLE LOANS | | | | | | | |
| van Roojen | M | Dep PSD | | 44,903.71 | 2,390.89 | 29,116.84 | 7,300.60 |
| | | | | 44,903.71 | 2,390.89 | 29,116.84 | 7,300.60 |

36 RELATED PARTY TRANSACTIONS

36.2 KEY PERSONNEL EMPLOYEE BENEFIT

| | | BENEFIT | THIRD PARTY |
|--------------|-------|----------------|---------------------|
| | | R | TRANSACTIONS |
| | | | R |
| Heyneke | AW | 1,031,770.58 | 10,045.92 |
| Nhleko | NP | 578,625.84 | - |
| Sibeko | NJ | 206,154.69 | 16,543.91 |
| Mdakane | S | 68,718.23 | 7,381.11 |
| Pillay | J | 461,304.81 | 15,818.54 |
| Baker | DL | 828,002.19 | 6,864.84 |
| Bosman | FG | 464,167.40 | 17,346.66 |
| Naidoo | JK | 612,404.07 | - |
| Khoza | EL | 828,002.19 | 11,061.44 |
| Erasmus | SC | 465,674.59 | 11,751.17 |
| Phillips | F | 717,071.83 | 16,254.33 |
| van Biljon | EH | 811,012.19 | 9,231.30 |
| Odendaal | P E | 836,635.71 | 10,602.94 |
| Volschenk | PN | 578,725.41 | 6,082.59 |
| Nel | MJ | 574,675.89 | 8,433.98 |
| Moss | AF | 557,969.49 | 14,890.22 |
| Mulder | OJH | 590,739.07 | 64,176.45 |
| van Roojen | M | 585,000.81 | 49,692.64 |
| Kirsten | HAD | 108,204.00 | 11,360.86 |
| Pullen | WNS | 579,118.29 | 19,864.27 |
| Klopper | JM | 511,813.21 | 7,006.82 |
| Koekemoer | CM | 601,866.83 | 8,884.16 |
| Mathenjwa | CM | 206,498.35 | - |
| Dladla | HR | 557,904.21 | - |
| Gullan | AL | 279,974.75 | 10,392.36 |
| Mbatha | SM | 534,719.49 | 5,893.34 |
| Vumba | AP | 575,524.38 | 6,716.66 |
| Renald | H D | 603,452.69 | 8,732.15 |
| Angell-Schau | D L | 596,033.29 | 12,554.88 |
| Cronje | G P | 576,903.93 | 5,255.33 |
| Schutte | J J | 250,896.43 | 7,072.76 |
| Oliver | PM | 575,543.67 | 8,627.82 |
| Francis | T E | 617,321.60 | 7,573.88 |
| Hlela | SN | 564,114.69 | 5,311.81 |
| Ngidi | PD | 476,780.98 | 3,955.74 |
| Ndlovu | M B T | 519,269.61 | 6,275.11 |

CITY OF uMHLATHUZE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

36 RELATED PARTY TRANSACTIONS (continued)

36.2 KEY PERSONNEL EMPLOYEE BENEFIT

| | | BENEFIT | THIRD PARTY |
|------------|----|----------------------|---------------------|
| | | R | TRANSACTIONS |
| | | R | R |
| Mbhamali | BS | 359,028.54 | 8,055.76 |
| Hariparsad | S | 541,587.93 | - |
| Khan | SY | 410,246.47 | 527.70 |
| Marais | RM | 646,501.99 | 1,072.16 |
| Makhubu | GG | 406,059.90 | - |
| Kanyile | B | 209,403.95 | - |
| | | 22,105,424.17 | 421,311.61 |

36.3 COUNCILLORS

| | | BENEFIT | THIRD PARTY |
|--------------|-----|----------------|---------------------|
| | | R | TRANSACTIONS |
| | | R | R |
| Mnqayi | AZ | 554,559.00 | 5,917.83 |
| Mbatha | EF | 446,844.00 | 10,718.32 |
| Madlopha | CQ | 446,844.00 | 7,733.53 |
| Harvey | JR | 419,915.00 | 97,258.49 |
| Lourens | M | 419,915.00 | 6,599.79 |
| Mbanjwa | NC | 419,915.00 | 8,424.87 |
| Moffatt | DJB | 419,915.00 | - |
| Mzimela | NB | 419,915.00 | - |
| Nxumalo | DA | 419,915.00 | 2,922.23 |
| van Zyl | JL | 419,915.00 | 9,164.92 |
| Zikhali | RM | 419,915.00 | - |
| Bissoondial | R | 171,543.00 | - |
| Buthelezi | MJ | 171,542.00 | - |
| Calitz | CF | 171,542.00 | 10,983.00 |
| Cele | NR | 171,542.00 | 2,872.85 |
| Dawood | AS | 171,542.00 | 827.74 |
| Dube | EJB | 171,542.00 | - |
| Fourie | LCM | 171,542.00 | 18,665.56 |
| Fourie (Jnr) | LW | 171,542.00 | - |
| Gumbi | NV | 171,542.00 | 2,459.48 |
| Gumede | T N | 171,542.00 | 3,700.51 |
| Gumede | BD | 171,542.00 | - |
| Herbert | DM | 171,542.00 | - |
| Hlophe | NS | 171,542.00 | - |
| Khoza | FG | 171,542.00 | - |
| Khuboni | AP | 171,542.00 | 4,014.08 |
| Khumalo | LM | 171,542.00 | - |
| Madonsela | NE | 171,542.00 | - |
| Makatini | MT | 171,542.00 | - |
| Mbatha | PT | 171,542.00 | - |
| Mbokazi | MM | 171,542.00 | 4,020.37 |
| Mkhize | SG | 171,542.00 | 4,707.58 |
| Mngomezulu | LP | 171,542.00 | 1,604.80 |
| Mnqayi | MS | 171,542.00 | - |
| Mpungose | VRT | 171,542.00 | - |
| Mthembu | AH | 171,542.00 | 2,548.96 |
| Mthembu | BM | 171,542.00 | - |
| Mthembu | BC | 171,542.00 | 2,390.20 |

CITY OF uMHLATHUZE
NOTES TO THE ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

36 RELATED PARTY TRANSACTIONS (continued)

36.3 COUNCILLORS

| | | BENEFIT | THIRD PARTY |
|--------------------|-----|----------------------|---------------------|
| | | R | TRANSACTIONS |
| | | R | R |
| Mthethwa | KN | 171,542.00 | - |
| Mthiyane | BM | 171,542.00 | - |
| Mthiyane | B | 171,542.00 | - |
| Mtshali | D | 171,542.00 | 48,325.08 |
| Myeni | MB | 171,542.00 | - |
| Ndlela | MWN | 171,542.00 | 2,460.56 |
| Ndwandwe | GB | 171,542.00 | - |
| Ngobese | ND | 171,542.00 | 5,343.03 |
| Nkwanyana | RZ | 171,542.00 | - |
| Ntanzi | PM | 171,542.00 | 4,264.78 |
| Ntetha | FF | 171,542.00 | 3,943.75 |
| Shandu | MF | 171,542.00 | - |
| Simmadhri | SS | 171,542.00 | 12,691.44 |
| Sukreben | K | 171,542.00 | 13,461.86 |
| Thusi | NT | 171,542.00 | 1,398.59 |
| Tshabalala | CN | 171,542.00 | 0.63 |
| van der Westhuizen | JC | 171,542.00 | 15,798.83 |
| van Huyssteen | RJ | 171,542.00 | 11,818.17 |
| Viljoen | A | 171,542.00 | 7,782.09 |
| Zulu | SM | 171,542.00 | - |
| Zulu | SH | 171,542.00 | - |
| Zulu | TL | 171,542.00 | 2,789.32 |
| | | 13,213,126.00 | 337,613.24 |

36.4 SCM EMPLOYEES

| | | BENEFIT | THIRD PARTY |
|--------------------|-----|---------------------|---------------------|
| | | R | TRANSACTIONS |
| | | R | R |
| van der Westhuizen | JD | 465,509.49 | 8,082.88 |
| de Jager | E | 468,389.42 | 11,136.43 |
| Kluckow | N | 381,463.31 | 2,639.00 |
| Nzimande | BS | 341,886.79 | 5,203.67 |
| Qulu | S | 412,865.64 | 3,488.67 |
| Mbhamali | BS | 155,177.39 | 8,055.76 |
| Zulu | ZY | 227,977.56 | - |
| Mdlalose | GN | 377,740.87 | 6,327.12 |
| Thusini | PST | 383,213.85 | - |
| Madlala | TB | 230,259.61 | - |
| Ngwira | SN | 57,284.99 | - |
| | | 3,501,768.92 | 44,933.53 |

APPENDIX A

CITY OF uMHLATHUZE : SCHEDULE OF EXTERNAL LOANS AS AT 30 JUNE 2009

| EXTERNAL LOANS | Interest Rate | Loan Number | Redeemable | Balance at 30/06/2008 R | Received during the period R | Redeemed/ written off during the period R | Balance at 30/06/2009 R | Carrying Value Property, Plant & Equipment R | Other costs in accordance with MFMA |
|-----------------------------|---------------|-------------|------------|----------------------------|---------------------------------|--|----------------------------|---|-------------------------------------|
| LONG-TERM LOANS | | | | | | | | | |
| Development Bank of SA | 12.00% | 10593 | 2018/03/31 | 6,052,880 | | 339,324 | 5,713,556 | 1,023,466 | |
| Development Bank of SA | 12.00% | 10594 | 2017/03/31 | 2,800,973 | - | 186,840 | 2,614,133 | 951,100 | |
| Development Bank of SA | 12.00% | 10595 | 2017/03/31 | 10,516,365 | - | 701,498 | 9,814,867 | - | |
| Development Bank of SA | 12.00% | 10596 | 2017/03/31 | 2,447,193 | - | 163,241 | 2,283,952 | - | |
| Development Bank of SA | 14.50% | 10597 | 2018/03/31 | 7,551,936 | - | 372,045 | 7,179,891 | 1,975,673 | |
| Development Bank of SA | 12.00% | 10600 | 2017/03/31 | 4,772,748 | - | 318,367 | 4,454,381 | 1,275,264 | |
| Development Bank of SA | 12.00% | 10601 | 2017/03/31 | 2,836,815 | - | 189,231 | 2,647,584 | 95,257 | |
| Development Bank of SA | 12.00% | 10602 | 2017/03/31 | 717,581 | - | 47,866 | 669,715 | 212,128 | |
| | | | | 37,696,491 | - | 2,318,412 | 35,378,079 | 5,532,888 | - |
| INCA | 13.95% | UMHL | 2019/06/30 | 13,952,722 | - | 645,723 | 13,306,999 | 10,448,851 | |
| Development Bank of SA | 16.16% | 11665 | 2010/12/31 | 1,069,255 | - | 378,673 | 690,582 | 124,962 | |
| Standard Bank | *1 | 357636 | 2015/03/31 | 76,254,968 | - | 7,035,674 | 69,219,294 | 84,234,330 | |
| Nedbank | *2 | 05/7831 | 2016/06/30 | 76,656,471 | - | 7,121,960 | 69,534,511 | 44,010,706 | |
| INCA | 8.75% | | 2019/06/28 | 220,000,000 | - | - | 220,000,000 | 207,200,771 | |
| Development Bank of SA | 11.70% | 103170 | 2018/12/31 | | 245,000,000 | 6,889,168 | 238,110,832 | 236,339,796 | |
| Development Bank of SA | 6.75% | 103494 | 2019/06/30 | | 35,000,000 | - | 35,000,000 | 33,762,828 | |
| Development Bank of SA | 11.57% | 103494 | 2019/06/30 | | 100,000,000 | - | 100,000,000 | 96,465,223 | |
| TOTAL EXTERNAL LOANS | | | | 425,629,907 | 380,000,000 | 24,389,610 | 781,240,297 | 718,120,355 | - |

*1 = JIBAR plus 1.218%

*2 = Prime less 3.249%

APPENDIX B

CITY OF uMHLATHUZE : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

| | Cost/Revaluation | | | | | Accumulated Depreciation | | | | Carrying Value |
|-------------------------------------|------------------|-------------|--------------------|-----------|-----------------|--------------------------|------------|-----------|-----------------|----------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Land | 561,694,800 | 3,150 | | | 561,697,950 | | | | - | 561,697,950 |
| | 561,694,800 | 3,150 | - | - | 561,697,950 | - | - | - | - | 561,697,950 |
| Infrastructure | | | | | | | | | | |
| Power Stations | 138,086,290 | | | | 138,086,290 | 28,196,716 | 4,973,697 | | 33,170,413 | 104,915,877 |
| Electricity Meters | 9,559,799 | | | | 9,559,799 | 4,888,467 | 247,097 | | 5,135,564 | 4,424,235 |
| Electricity Peak Load Equipment | 8,919,079 | | | | 8,919,079 | 8,436,963 | 45,661 | | 8,482,624 | 436,455 |
| Switchgear Equipment | 10,215,575 | | | | 10,215,575 | 6,186,602 | 17,874 | | 6,204,476 | 4,011,099 |
| Electricity Supply And Reticulation | 215,063,046 | 33,882,429 | | | 248,945,475 | 89,229,854 | 11,212,733 | | 100,442,587 | 148,502,889 |
| Electricity Mains | 13,136,290 | | | | 13,136,290 | 11,513,230 | 187,339 | | 11,700,569 | 1,435,721 |
| Street Lights | 22,461,347 | 2,501,355 | | | 24,962,702 | 12,592,301 | 1,154,253 | | 13,746,554 | 11,216,148 |
| Stormwater Drains | 36,303,512 | | | | 36,303,512 | 24,224,102 | 1,820,939 | | 26,045,041 | 10,258,471 |
| Roads | 447,657,218 | 64,614,505 | | | 512,271,723 | 261,061,734 | 14,584,489 | | 275,646,223 | 236,625,500 |
| Reservoirs-Water | 47,132,331 | | | | 47,132,331 | 12,399,030 | 749,812 | | 13,148,842 | 33,983,489 |
| Water Meters | 9,690,516 | | | | 9,690,516 | 5,638,350 | 667,233 | | 6,305,583 | 3,384,933 |
| Water Mains | 20,057,121 | | | | 20,057,121 | 8,595,654 | 612,170 | | 9,207,824 | 10,849,297 |
| Water Supply And Reticulation | 340,572,694 | 168,573,233 | | | 509,145,927 | 54,085,886 | 11,867,242 | | 65,953,128 | 443,192,799 |
| Water Mains & Purification | 180,657,271 | | | | 180,657,271 | 38,456,416 | 5,983,408 | | 44,439,824 | 136,217,447 |
| Pedestrian Malls | 3,033,860 | | | | 3,033,860 | 2,816,808 | 121,470 | | 2,938,278 | 95,582 |
| Taxiways | 360,592 | | | | 360,592 | 145,669 | 12,980 | | 158,649 | 201,943 |
| Security Measures | 4,965,950 | 3,325,970 | | | 8,291,920 | 1,301,859 | 2,797,810 | | 4,099,669 | 4,192,251 |
| | 1,507,872,491 | 272,897,493 | - | - | 1,780,769,984 | 569,769,641 | 57,056,206 | - | 626,825,847 | 1,153,944,137 |
| Community Assets | | | | | | | | | | |
| Beach Development | 22,532,473 | | | | 22,532,473 | 6,788,615 | 513,754 | | 7,302,369 | 15,230,104 |
| Cemeteries | 6,969,237 | | | | 6,969,237 | 990,392 | 156,258 | | 1,146,650 | 5,822,587 |
| Clinics | 229,414 | | | | 229,414 | 34,054 | 7,844 | | 41,898 | 187,516 |
| Community Centres | 62,643,829 | | | | 62,643,829 | 12,254,626 | 344,452 | | 12,599,078 | 50,044,751 |
| Fire Stations | 2,054,019 | | | | 2,054,019 | 453,967 | 44,172 | | 498,139 | 1,555,880 |
| Libraries | 9,713,694 | | | | 9,713,694 | 4,794,681 | 255,596 | | 5,050,277 | 4,663,417 |
| Museum | 2,221,571 | | | | 2,221,571 | 702,833 | 75,955 | | 778,788 | 1,442,783 |
| Parks & Gardens | 11,186,659 | | | | 11,186,659 | 10,252,612 | 270,594 | | 10,523,206 | 663,453 |
| Public Conveniences | 7,999,838 | | | | 7,999,838 | 1,942,379 | 526,759 | | 2,469,138 | 5,530,700 |
| Recreation Facilities | 48,795,984 | 16,783,729 | 21,278,782 | | 86,858,495 | 14,862,698 | 2,664,046 | | 17,526,744 | 69,331,751 |
| | 174,346,718 | 16,783,729 | 21,278,782 | - | 212,409,229 | 53,076,857 | 4,859,430 | - | 57,936,287 | 154,472,942 |

APPENDIX B (continued)

CITY OF Umhlathuze : ANALYSIS OF PROPERTY PLANT AND EQUIPMENT AS AT 30 JUNE 2009

| | Cost/Revaluation | | | | | Accumulated Depreciation | | | | Carrying Value |
|--------------------------|----------------------|--------------------|--------------------|----------------|----------------------|--------------------------|-------------------|----------------|--------------------|----------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Heritage Assets | | | | | | | | | | |
| Historical Buildings | | | | | - | | | | - | - |
| Painting & Art Galleries | 49,502 | - | - | - | 49,502 | - | - | - | - | 49,502 |
| | 49,502 | - | - | - | 49,502 | - | - | - | - | 49,502 |
| Other Assets | | | | | | | | | | |
| Housing | 57,568,398 | 4,864,943 | | | 62,433,341 | 5,097,257 | 5,292,189 | | 10,389,446 | 52,043,895 |
| Housing Schemes | 7,105,223 | | | | 7,105,223 | 1,414,317 | 131,566 | | 1,545,883 | 5,559,340 |
| Nurseries | 326,866 | | | | 326,866 | 101,406 | 6,481 | | 107,887 | 218,979 |
| Office Buildings | 71,840,070 | | | | 71,840,070 | 33,621,582 | 3,703,178 | | 37,324,760 | 34,515,310 |
| Tip Sites | 7,405,253 | | | | 7,405,253 | 658,433 | 172,882 | | 831,315 | 6,573,938 |
| Workshops & Depots | 22,251,126 | | | | 22,251,127 | 2,493,758 | 611,776 | | 3,105,534 | 19,145,593 |
| Office Equipment | 17,072,576 | 13,787,155 | | 135,679 | 30,724,052 | 8,241,886 | 3,025,557 | 133,864 | 11,133,579 | 19,590,473 |
| Furniture & Fittings | 6,969,780 | 1,347,246 | | | 8,317,026 | 3,533,268 | 1,613,209 | | 5,146,477 | 3,170,549 |
| Bins & Containers | 4,150,564 | - | | | 4,150,564 | 1,635,165 | 267,335 | | 1,902,500 | 2,248,064 |
| Emergency Equipment | 69,708 | - | | | 69,708 | 52,067 | 5,060 | | 57,127 | 12,581 |
| Motor Vehicles | 64,455,303 | 33,837,901 | | | 98,293,204 | 30,034,484 | 2,549,791 | | 32,584,275 | 65,708,929 |
| Fire Engines | 6,258,540 | - | | | 6,258,540 | 2,036,916 | 182,695 | | 2,219,611 | 4,038,929 |
| Plant And Equipment | 30,393,465 | 7,254,604 | | | 37,648,069 | 13,605,092 | 3,905,467 | | 17,510,559 | 20,137,510 |
| Land Main Investments | 65,799,127 | 40,936,305 | | | 106,735,432 | 49,965,702 | 2,912,336 | | 52,878,038 | 53,857,394 |
| | 361,666,000 | 102,028,154 | - | 135,679 | 463,558,475 | 152,491,333 | 24,379,521 | 133,864 | 176,736,990 | 286,821,485 |
| Total | 2,605,629,511 | 391,712,527 | 21,278,782 | 135,679 | 3,018,485,140 | 775,337,831 | 86,295,157 | 133,864 | 861,499,124 | 2,156,986,016 |

APPENDIX C

CITY OF uMHLATHUZE : SEGMENTAL ANYALYSIS OF PROPERTY,PLANT AND EQUIPMENT AS AT 30 JUNE 2009

| | Cost | | | | | Accumulated Depreciation | | | | Carrying Value |
|-----------------------------|----------------------|--------------------|--------------------|----------------|----------------------|--------------------------|-------------------|----------------|--------------------|----------------------|
| | Opening Balance | Additions | Under Construction | Disposals | Closing Balance | Opening Balance | Additions | Disposals | Closing Balance | |
| | R | R | R | R | R | R | R | R | R | R |
| Executive & Council | 4,656,711 | 574,480 | | 217 | 5,230,974 | 563,139 | 42,794 | 217 | 606,150 | 4,624,824 |
| Finance & Admin | 753,395,325 | 53,629,268 | | 18,575 | 807,006,018 | 57,387,211 | 11,957,385 | 18,575 | 69,363,171 | 737,642,847 |
| Planning & Development | 20,592,764 | 38,670 | | 1,698 | 20,629,736 | 5,917,186 | 49,213 | 1,698 | 5,968,098 | 14,661,638 |
| Health | 887,473 | 52,038 | | - | 939,511 | 581,115 | 72,903 | - | 654,018 | 285,493 |
| Community & Social Services | 189,148,378 | 10,760,583 | 21,278,782 | 3,727 | 221,184,016 | 70,445,639 | 7,298,866 | 3,727 | 77,748,231 | 143,435,784 |
| Housing | 61,355,115 | 4,864,943 | | - | 66,220,058 | 6,294,400 | 3,967,403 | - | 10,261,804 | 55,958,254 |
| Public Safety | 3,481,046 | 1,678,600 | | 581 | 5,159,064 | 1,268,879 | 317,336 | 581 | 1,586,796 | 3,572,268 |
| Sport & Recreation | 112,918,775 | 36,676,803 | | 12,704 | 149,582,875 | 37,549,753 | 4,769,404 | 12,704 | 42,331,861 | 107,251,014 |
| Waste Management | 200,907,676 | 39,007,782 | | 13,511 | 239,901,947 | 58,913,775 | 9,682,462 | 13,511 | 68,609,748 | 171,292,199 |
| Road Transport | 499,080,530 | 65,369,270 | | 22,642 | 564,427,158 | 307,604,228 | 18,636,558 | 22,642 | 326,263,428 | 238,163,730 |
| Water | 447,649,815 | 88,923,160 | | 30,800 | 536,542,175 | 99,079,212 | 14,784,602 | 28,986 | 113,892,800 | 422,783,236 |
| Electricity | 390,739,964 | 90,138,923 | | 31,222 | 480,847,665 | 145,109,735 | 16,305,785 | 31,222 | 161,446,742 | 319,400,924 |
| Other | 4,100 | | | | 4,100 | | | | 0 | 4,100 |
| Total | 2,684,817,672 | 391,714,520 | 21,278,782 | 135,678 | 3,097,675,297 | 790,714,271 | 87,884,711 | 133,864 | 878,732,847 | 2,219,076,312 |

APPENDIX D

CITY OF UMHLATHUZE: SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2009

| 2008 Actual Income R | 2008 Actual Expenditure R | 2008 Surplus/(Deficit) R | | 2009 Actual Income R | 2009 Actual Expenditure R | 2009 Surplus/(Deficit) R |
|----------------------------|---------------------------------|--------------------------------|-----------------------------|-------------------------|---------------------------------|--------------------------------|
| 1,411,257 | 34,631,133 | (33,219,876) | Executive & Council | 60,088 | 34,646,386 | (34,586,298) |
| 275,117,673 | 150,383,566 | 124,734,107 | Finance & Admin | 232,444,245 | 158,689,332 | 73,754,913 |
| 1,792,440 | 15,578,916 | (13,786,476) | Planning & Development | 1,094,759 | 17,303,216 | (16,208,457) |
| 4,063,159 | 17,459,083 | (13,395,924) | Health | 6,835,604 | 23,597,583 | (16,761,979) |
| 5,164,463 | 49,620,494 | (44,456,031) | Community & Social Services | 4,568,533 | 53,157,780 | (48,589,247) |
| 60,380,454 | 8,830,015 | 51,550,439 | Housing | 7,910,890 | 8,268,725 | (357,835) |
| 6,522,601 | 41,255,149 | (34,732,548) | Public Safety | 4,910,603 | 48,420,358 | (43,509,755) |
| 3,056,868 | 82,398,118 | (79,341,250) | Sport & Recreation | 10,572,961 | 93,733,737 | (83,160,776) |
| 95,171,532 | 131,054,160 | (35,882,628) | Waste Management | 113,020,682 | 133,502,253 | (20,481,571) |
| 6,736,362 | 97,750,593 | (91,014,231) | Road Transport | 6,514,107 | 122,194,491 | (115,680,384) |
| 168,826,903 | 159,604,907 | 9,221,996 | Water | 215,718,917 | 224,433,143 | (8,714,226) |
| 346,559,514 | 362,152,155 | (15,592,641) | Electricity | 487,597,697 | 556,841,837 | (69,244,140) |
| 292,478 | 134,358 | 158,120 | Other | 489,889 | 132,418 | 357,471 |
| 975,095,704 | 1,150,852,647 | -175,756,943 | Sub Total | 1,091,738,975 | 1,474,921,259 | (383,182,284) |
| (54,510,712) | (310,572,973) | 256,062,261 | Less: Inter- Dep Charges | (79,133,465) | (391,622,652) | 312,489,187 |
| 920,584,992 | 840,279,674 | 80,305,318 | Total | 1,012,605,510 | 1,083,298,607 | (70,693,097) |

APPENDIX E(1)
CITY OF uMHLATHUZE : ACTUAL VERSUS BUDGET(REVENUE AND EXPENDITURE) FOR THE YEAR ENDED 30 JUNE 2009

| REVENUE | 2009 ACTUAL | 2009 BUDGET | 2009 VARIANCE | 2009 VARIANCE | <u>Explanation of significant variance greater than 10% versus budget</u> |
|---|----------------------|----------------------|--------------------------|--------------------------|---|
| | R | R | R | (%) | |
| Property Rates | 125,068,126 | 132,095,000 | (7,026,874) | -5 | |
| Property Rates-Penalties Imposed And Collection Charges | 1,350,171 | 1,030,000 | 320,171 | 31 | Due to excellent settlement on rates and strict implementation of credit control measures fewer penalties and collection charges were imposed, however income has reduced from the previous year. |
| Service Charges | 632,066,077 | 782,989,300 | (150,923,223) | -19 | Incorrect amount for Electricity Purchases was provided by the CEE department for the second adjustment budget. |
| Rental Of Facilities And Equipment | 9,903,792 | 9,879,700 | 24,092 | 0 | |
| Interest Earned-External Investments | 16,614,284 | 13,848,600 | 2,765,684 | 20 | Due to excellent cashflow management, more funds were available for investment purposes. |
| Interest Earned-Outstanding Debtors | 579,085 | 149,000 | 430,085 | 289 | Conservation budget figure for interest, however income has reduced from the previous year. |
| Fines | 3,685,080 | 5,752,200 | (2,067,120) | -36 | Under recovery as a result of vacancies and changes at the Magistrate's office. |
| Licences And Permits | 1,744,924 | 1,558,100 | 186,824 | 12 | Increased revenue on learners licences and vehicle licences. |
| Income For Agency Services | 3,762,297 | 3,421,000 | 341,297 | 10 | |
| Government Grants & Subsidies | 168,234,221 | 153,421,600 | 14,812,621 | 10 | Increased revenue due to grant funding for the 2010 stadium |
| Public Contributions | 6,446,427 | | 6,446,427 | - | |
| Other Income | 106,742,522 | 97,351,800 | 9,390,722 | 10 | Unrealised revenue from general connection fees and sundries fees. |
| Gains on Sale Of Land | 15,486,317 | 77,011,100 | (61,524,783) | -80 | Non realisation of revenue from land sales. |
| Gains On Disposal Of Property,Plant And Equipment | 55,652 | - | 55,652 | - | |
| Inter-Departmental Charges | (79,133,465) | - | (79,133,465) | - | |
| Total Revenue | 1,012,605,510 | 1,278,507,400 | (265,901,890) | (21) | |
| EXPENDITURE | | | | | |
| Executive & Council | 34,646,386 | 34,683,000 | (36,614) | (0) | |
| Finance & Admin | 158,689,332 | 198,573,400 | (39,884,068) | (20) | Savings realised on consultancy fees and internal training (NOSA). |
| Planning & Development | 17,303,216 | 18,179,300 | (876,084) | (5) | |
| Health | 23,597,583 | 22,268,500 | 1,329,083 | 6 | |
| Community & Social Services | 53,157,780 | 63,123,400 | (9,965,620) | (16) | Savings realised on parks maintenance, interest and depreciation. |
| Housing | 8,268,725 | 15,005,400 | (6,736,675) | (45) | |
| Public Safety | 48,420,358 | 50,749,300 | (2,328,942) | (5) | |
| Sport & Recreation | 93,733,737 | 99,887,900 | (6,154,163) | (6) | |
| Waste Management | 133,502,253 | 187,991,248 | (54,488,995) | (29) | Savings realised on depreciation. |
| Road Transport | 122,194,491 | 133,677,685 | (11,483,194) | (9) | |
| Water | 224,433,143 | 205,660,467 | 18,772,676 | 9 | |
| Electricity | 556,841,837 | 635,893,700 | (79,051,863) | (12) | Incorrect amount for Electricity Purchases was provided by the CEE department for the second adjustment budget. |
| Other | 132,418 | 163,600 | (31,182) | (19) | No expenditure incurred on consultancy fees budgeted for. |
| Inter-Departmental Charges | (391,622,652) | (300,763,400) | (90,859,252) | 30 | Interdepartmental charges reversals at year end. |
| Total Expenditure | 1,083,298,607 | 1,365,093,500 | (281,794,893) | (21) | |
| NET SURPLUS/(DEFICIT) FOR THE YEAR | (70,693,097) | (86,586,100) | 15,893,003 | (0) | |

APPENDIX E(2)

CITY OF uMHLATHUZE : ACTUAL VERSUS BUDGET (ACQUISITION OF PROPERTY, PLANT AND EQUIPMENT) FOR THE YEAR ENDED 30 JUNE 2009

| | <u>2009 ACTUAL R</u> | <u>2009 UNDER CONSTRUCTION R</u> | <u>2009 TOTAL ADDITIONS R</u> | <u>2009 BUDGET R</u> | <u>2009 VARIANCE R</u> | <u>2009 VARIANCE %</u> | <u>Explanation of significant variances greater than 5% versus budget (Explanations To Be Recorded)</u> |
|-----------------------------|-------------------------------------|---|--|---------------------------------|-----------------------------------|---------------------------------------|--|
| Executive & Council | 574,480 | - | 574,480 | 699,000 | (124,520) | | (18) Savings on office furniture. |
| Finance & Admin | 53,627,332 | - | 53,627,332 | 61,607,500 | (7,980,168) | | (13) The CDB extension South of Guldengracht, Public open spaces-infill, Central industrial area and Marina development projects, has been carried over to the 2009/2010 financial year. |
| Planning & Development | 38,670 | - | 38,670 | 39,400 | (730) | | (2) |
| Health | 52,038 | - | 52,038 | 60,300 | (8,262) | | (14) Savings on machinery and equipment and office furniture. |
| Community & Social Services | 25,760,583 | - | 25,760,583 | 38,350,900 | (12,590,317) | | (33) The extension and development of the Richards Bay Cemetary, refurbishment of various halls, extension of eNseleni and Vulindlela hall, Hlanganani hall parking and extension to existing covered parking projects, has been carried over to the 2009/2010 financial year. |
| Housing | 4,864,943 | - | 4,864,943 | 3,600,000 | 1,264,943 | | 35 Additional expenditure incurred for the eSikhaleni hostels. |
| Public Safety | 1,678,600 | - | 1,678,600 | 5,073,200 | (3,394,600) | | (67) An amount of R3 365 000 for the design and installation of the CCTV camera system, has been carried over to the 2009/2010 financial year. |
| Sport & Recreation | 21,676,803 | 21,278,782 | 42,955,585 | 40,003,400 | 2,952,185 | | 7 complex entrances and staff change room lockers, has been carried over to the 2009/2010 financial year. Savings realised on machinery and equipment. |
| Waste Management | 39,007,782 | - | 39,007,782 | 55,132,999 | (16,125,217) | | (29) Upgradind of the sewerage pumpstations and emergency generators, has been carried over to the 2009/2010 financial year. Savings realised on upgrading of the macerator stations and standby pumps. |
| Road Transport | 65,369,270 | - | 65,369,270 | 108,008,349 | (42,639,079) | | (39) Doubling NCA from Premium Promenade to Brackenham, East Central Arterial John Ross to Saligna, Street Rehabilitation -Tanner Road, Main Road Doubling and Richards Bay Taxi City additional bus parking and general improvement, has been carried over to the 2009/2010 financial year. |
| Water | 88,923,160 | - | 88,923,160 | 100,663,652 | (11,740,492) | | (12) Reservoir - structures repairs, uThungulu/uMhlathuze seperation eNseleni Reservoir site, Richards Bay - water network improvements, Industrial water mains upgrading 2009/2010 financial year. |
| Electricity | 90,138,923 | - | 90,138,923 | 92,886,800 | (2,747,877) | (3) | |
| Other | - | - | - | - | - | - | |
| Total | 391,712,584 | 21,278,782 | 412,991,366 | 506,125,500 | (93,134,134) | (18) | |

APPENDIX F
CITY OF uMHLATHUZE
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003

Grants and Subsidies Received

| Name of Grants | Name of organ of state | Quarterly Receipts | | | | | | Quarterly Expenditure | | | | | | Grants and Subsidies delayed/withheld | | | | | | | | | | Reason for delay/ withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for non-compliance |
|---|--|--------------------|-----------|-----------|-----------|----------------------------|-----------|-----------------------|------------|-----------|----------------------------|-----------|----------|---------------------------------------|-----------|----------------------------|-----------|-----------|----------|----------|----------------------------|--------|-----|--|--|---------------------------|
| | | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | June 2005 | Sept 2005 | Dec 2005 | Mar 2006 | Total 2008/2009 as per AFS | Yes/No | | | | |
| | | | | | | | | | | | | | | | | | | | | | | | | | | |
| | | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | | | | | | R | | | | |
| Museum Subsidy | KZN - Dept of Education & Culture | - | 62,972 | - | - | 62,972 | 161,679 | 174,778 | 182,322 | 262,871 | 781,650 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Primary Health Subsidy | KZN - Dept of Health | 2,043,000 | 1,021,500 | 1,021,500 | 1,021,500 | 5,107,500 | 3,187,171 | 3,558,391 | 43,378,154 | 3,751,402 | 13,875,122 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Housing Development Plan | KZN - Dept of Housing | - | - | - | - | - | - | - | - | 49 | 49 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Esikhawini Hostel Refurbishment | KZN - Dept of Housing | - | - | - | - | - | 895,847 | 547,222 | 1,566,394 | 1,993,925 | 5,003,388 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Enhanced Extended Discount Benefit Scheme | KZN - Dept of Housing | 340,125 | - | - | - | 340,125 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Infrastructural Grants | KZN - Dept of Library Services | 434,228 | - | - | - | 434,228 | - | 403,741 | 20,046 | 27,119 | 450,906 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Electrical costs - Libraries | KZN - Dept of Arts & Culture | - | - | - | 6,314 | 6,314 | 3,168 | 2,867 | 279 | - | 6,314 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Public Internet access - libraries | KZN - Dept of Arts & Culture | - | - | 157,800 | - | 157,800 | 51,391 | 79,717 | 779,730 | 79,011 | 289,849 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Head Count Systems - Libraries | KZN - Dept of Arts & Culture | - | - | 122,199 | - | 122,199 | - | - | - | 107,192 | 107,192 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |
| Community Development Workers Programme | KZN - Dept of Local Gov & Trad Affairs | - | - | - | - | - | 975 | - | 249 | - | 1,224 | - | - | - | - | - | - | - | - | - | - | None | Yes | | | |

APPENDIX F
CITY OF uMHLATHUZE
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

Grants and Subsidies Received

| Name of Grants | Name of organ of state | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed/withheld | | | | | | | | | | Reason for delay/ withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for non-compliance |
|--|--|--------------------|----------|----------|-----------|----------------------------|-----------------------|----------|----------|-----------|----------------------------|---------------------------------------|----------|----------|-----------|----------------------------|-----------|-----------|----------|----------|----------------------------|--|--|---------------------------|
| | | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | June 2005 | Sept 2005 | Dec 2005 | Mar 2006 | Total 2008/2009 as per AFS | | | |
| Remote Water Reading System | KZN - Dept of Local Gov & Trad Affairs | R | R | R | R | R | R | R | R | R | R | R | R | R | R | R | | | | | | | | |
| | | - | - | - | - | - | 867,970 | - | 195,324 | 74,620 | 1,137,913 | - | - | - | - | - | - | - | None | Yes | | None | Yes | |
| Technical Support Grant | KZN - Dept of Local Gov & Trad Affairs | - | - | - | - | - | - | 69,897 | - | - | 69,897 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Upgrade of Vulindlela Sports Facility | KZN - Dept of Sport & Recreation | - | 276,250 | 672,945 | - | 949,195 | | | 16,686 | 859,365 | 876,051 | - | - | - | - | | | | | | | None | Yes | |
| Land Use Management | KZN - Dept of Local Gov & Trad Affairs | - | 100,000 | - | - | 100,000 | - | - | - | - | - | - | - | - | - | - | - | - | None | Yes | | None | Yes | |
| Refurbishment of Pumpstation Grant | Nat - Dept of Water Affairs | - | - | - | - | - | - | - | - | 848,960 | 848,960 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Institutional Support | Nat - Dept of Water Affairs | - | - | - | - | - | 795,000 | - | - | - | 795,000 | - | - | - | - | | | | | | | None | Yes | |
| Institutional Support (Water conservation and demand management project) | Nat - Dept of Water Affairs | 1,200 | - | - | - | 1,200 | 58,130 | 153,393 | 146,435 | - | 357,957 | - | - | - | - | | | | | | | None | Yes | |
| Cleanest Town Award | Nat - Dept of Water Affairs | - | - | 200,000 | - | 200,000 | - | - | - | 1,279 | 1,279 | - | - | - | - | | | | | | | None | Yes | |

APPENDIX F
CITY OF uMHLATHUZE
DISCLOSURES OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003 (continued)

Grants and Subsidies Received

| Name of Grants | Name of organ of state | Quarterly Receipts | | | | | Quarterly Expenditure | | | | | Grants and Subsidies delayed/withheld | | | | | | | | | | Reason for delay/withholding of funds | Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act | Reason for non-compliance |
|---|---------------------------------|--------------------|--------------|-------------|--------------|----------------------------|-----------------------|-------------|--------------|-------------|----------------------------|---------------------------------------|----------|----------|-----------|----------------------------|-----------|-----------|----------|----------|----------------------------|---------------------------------------|--|---------------------------|
| | | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | Sept 2008 | Dec 2008 | Mar 2009 | June 2009 | Total 2008/2009 as per AFS | June 2005 | Sept 2005 | Dec 2005 | Mar 2006 | Total 2008/2009 as per AFS | | Yes/No | |
| Municipal Infrastructure Grant | National Treasury | R 11,630,000 | R 17,630,000 | R 7,107,586 | R 16,975,000 | R 53,342,586 | R 13,188,151 | R 8,893,120 | R 14,188,753 | R 7,920,445 | R 44,190,470 | R - | R - | R - | R - | R - | - | - | - | - | - | None | Yes | |
| Financial Management Grant | National Treasury | - | 500,000 | - | - | 500,000 | 50,074 | 373,888 | 576,649 | 456,137 | 1,456,748 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Restructuring Grant | National Treasury | - | - | - | - | - | 5,401 | - | 3,000 | 574,389 | 582,790 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Municipal Systems Improvement Grant (MSIG) | National Treasury | 400,000 | - | - | - | 400,000 | - | - | - | 400,000 | 400,000 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Equitable Share | National Treasury | 29,617,261 | 22,212,946 | 43,301,557 | - | 95,131,764 | - | - | - | - | - | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Electrification | Nat - Dept of Minerals & Energy | - | - | 1,200,000 | - | 1,200,000 | 80,000 | - | 1,793,000 | 1,074,589 | 2,947,589 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Management of Cemetry | uThungulu District Municipality | - | 270,971 | 209,970 | 327,278 | 808,218 | - | 270,971 | 209,970 | 327,278 | 808,218 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| United Nations Development Programme - fight against HIV/AIDS | uThungulu District Municipality | - | - | - | 1,993 | 1,993 | - | - | - | 1,993 | 1,993 | - | - | - | - | - | - | - | - | - | - | None | Yes | |
| Environmental Health Services | uThungulu District Municipality | - | - | 1,319,418 | - | 1,319,418 | 1,457,009 | 1,450,862 | 1,595,727 | 2,070,017 | 6,573,614 | - | - | - | - | - | - | - | - | - | - | None | Yes | |